

(continued)

EUROPEAN NEWS

Special investment fund to help Spanish economy

BY ROBERT GRAHAM

MADRID, Oct. 16.

THE SPANISH government is proposing to set aside a special Ptas 800m (£660m) investment fund in the 1979 budget to stimulate the economy. However, use of this money will be discretionary, conditioned largely by the trend in wages and prices.

This cautious approach to reflation is the main feature of the Government's budget for the coming year that will shortly be submitted to Parliament. The budget anticipates a 20 per cent increase in ordinary expenditure to Ptas 1,732bn. But the increase in spending will be much more substantial if the Government chooses to disburse part or all of the special investment money, which is being treated as an additional allocation.

The Government calculation is that if inflation can be brought down to an average of 12 per

cent, then the real increase in spending will be in the order of 8 per cent. The issues of inflation and public funds to stimulate investment are intimately linked to discussions now in progress, both between the political parties and between labour and management over a new social contract.

The outcome of these discussions, which it is hoped will produce wage guidelines, money supply and inflation targets, will directly influence the final approved budget.

The ordinary budget envisages a deficit of Ptas 1,640bn, two-thirds of which will be financed by resort to public debt—an instrument which the authorities are beginning to use much more extensively. The remainder will be funded by foreign borrowing. The special investment fund is expected to be financed

directly by the Bank of Spain.

For 1979 the Government has decided to continue the practice of presenting a separate budget for social security which covers pensions, unemployment and national health. The budget for this Ministry is scheduled to increase 24 per cent to Ptas 1,580bn. With a budget only 10 per cent less than total security spending, has become a vast unmanageable monster within the Administration. There have been frequent allegations in recent weeks of serious corruption, which have led to the sacking of some senior officials.

In the coming year the Government hopes to make social security savings equivalent to 2 per cent of total spending through improved management. Also for the first time social security will be obliged to submit quarterly accounts.

Lisbon suspends return of land

BY OUR OWN CORRESPONDENT

LISBON, Oct. 16.

IN WHAT appears to be an attempt to defuse an increasingly tense atmosphere in the southern grain belt of the Alentejo, the Government today temporarily suspended further returns of expropriated land to private ownership.

Violence broke out at the weekend in the region following a decision by the Ministry of Agriculture to proceed to apply without any further delay the controversial Agrarian Reform Law. Paramilitary police using trained dogs physically forced

agricultural workers out of at least four Communist-controlled collectives.

It was the first time that peasants and police had clashed in the region since September 1977 when the three Socialist-led administrations first attempted to apply the law.

Police brutality was condemned during a weekend speech by Sr. Alvaro Cunhal, the Secretary-General of the Portuguese Communist Party (PCP).

"The Government is setting the Republican guard against

the workers and is creating a climate of civil war in the land reform area," Sr. Cunhal said, in one of his most virulent attacks so far against the present administration.

Meanwhile, President Ramalho Eanes is expected to resume his talks with the main political leaders early this week before deciding on a solution to the country's political crisis.

The present Government is theoretically functioning only in a caretaker capacity following its defeat in parliament last month.

PORTUGAL AND THE EEC

Constancio puts the case

BY JIMMY BURNS IN LISBON

SITTING IN his old vice-governor's office at the Bank of Portugal, Sr. Vitor Constancio looks happier and more relaxed than he did earlier this summer when the politicking and divisions of his colleagues in power forced him to abandon the crucial post of Minister of Finance. Slightly shy and unassuming, putting on his pipe with the casual air of a university don, Sr. Constancio is one of Portugal's more discreet survivors.

Tomorrow, as president of the Portuguese Commission for European Integration he will be in Luxembourg at a ceremony marking formal acceptance by the EEC Foreign Ministers of Portugal's request to open accession negotiations. Although full-scale talks have been delayed until next year, the ceremony effectively takes Portugal one step nearer to full integration into the European community.

Ever since Sr. Constancio was made chairman of the committee in charge of making the first approach to Brussels in 1976, politics has always been the most compelling reason for letting Portugal in to the Community. After the country's chaotic revolutionary experience following April 25, 1974, acceptance into the European fold seemed the best guarantee for future political stability. Yet it is economics that will be at the centre of talks leading up to Portugal's eventual admission.

Sr. Constancio, in that respect, remains the most obvious choice

for the job. When talking about the EEC and what it will mean to Portugal, he applies the same economic logic as he maintained throughout his negotiations with the IMF. He passionately defends deflation as a necessary short-term solution to Portugal's ills against the criticism of some Commission economists who would prefer to see an immediate restructuring of Portuguese agriculture and industry and, better, immediate EEC aid.

In order to envisage a more active development policy, we have first to reduce our deficit," Sr. Constancio says, adding that it was EEC member states which were among those countries that made future credit conditional on Portugal's agreement with the fund.

Sr. Constancio is confident that Portugal has proved not only that she can agree to an IMF deflationary programme but also that she is capable of sticking to it. And this is already having its effect on the international capital market and the external financing of the country's balance of payments deficit.

Nevertheless, although optimistic that there is now some light at the end of the tunnel, Sr. Constancio admits that Portugal will need time, probably as much as twelve years, before she can experience the kind of economic reforms called for by the Commission.

Sr. Constancio insists, that, given the country's present balance of payments position, it is still unrealistic for the commission even to suggest that the Portuguese Government liberalise present restrictions on

capital movements, particularly regarding outflows. He refers too, in no uncertain terms to the tough problem of textiles. "We have been severely hit by the restrictions which the EEC has imposed on us with regard to the textile industry."

Sr. Constancio is less threatening about other aspects of Portugal's entry into the EEC. Portugal's present constitution, backed up by legislation, makes certain sectors of the economy, such as banking closed to private initiative. As a result some experts in Brussels have suggested that this might create large difficulties if Portugal were to become a member State. Sr. Constancio challenges this assumption, and emphasises that the Treaty of Accession and full negotiations will only begin after 1980, the date already set for the revision of the constitution.

"One of the great advantages of membership is that it will stimulate many positive changes in our institutions," he says. He reveals, for example, that the Ministry of Finance has already been "stimulated" into beginning a thorough overhaul of the country's archaic tax system, which, until now, has been out of line with the rest of Europe. Concrete plans are in progress for the introduction of VAT.

Sr. Constancio is similarly confident that the Portuguese Government will also be stirred into developing a regional policy (something which until now has been non-existent in Portugal) so as to draw from the Community's regional fund.

D-mark revaluation inevitable, Bonn Finance Minister says

BY ADRIAN DICKS

BONN, Oct. 16.

LAST NIGHT'S revaluation of the Deutschmark by a little less than 3 per cent within the European "snake" had become technically inevitable by the end of last week, as Herr Hans Matthöfer, the West German Finance Minister, made clear in a statement this morning. At the same time, it has been demonstrated again that the snake can handle necessary adjustments in a timely and orderly fashion, which is seen in Bonn as a desirable political objective in the light of today's deliberation in Luxembourg.

The point is also likely to be made emphatically to Mr. James Callaghan, the British Prime Minister, when he comes here on Wednesday for talks with Chancellor Helmut Schmidt and his Ministers, in which the centre of interest will be Britain's attitude towards the projected European monetary system (EMS).

The full technical background to last night's snake realignment will be known only when the Bundesbank issues its weekly statement for the week up to last Friday. It has reported already, however, that some DM 2.4bn was spent on intervention within the snake in the week up to October 7.

Foreign exchange market estimates of the scale of Central Bank interventions suggest that the pace accelerated to the point where the Bundesbank took in DM 1.5bn last Friday alone.

Dr. Otmar Emminger, the Bundesbank president, said this morning that the bank had had to absorb over DM 10bn in intervention operations within the snake during the past three and a half months.

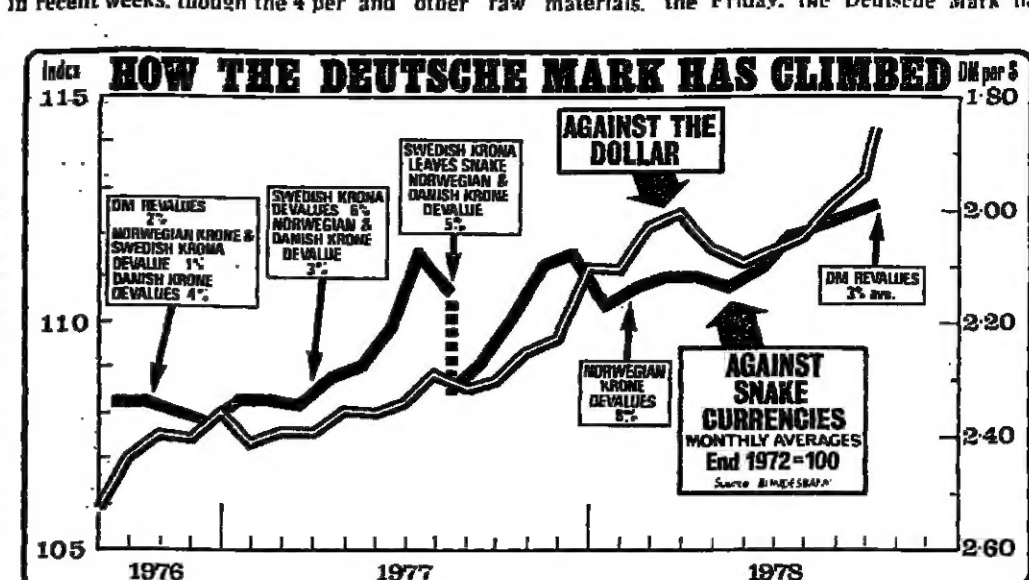
Herr Matthöfer also expressed concern at the pace of monetary growth, to which currency unrest had been contributing. Figures showing the growth of the money supply for the summer

months are expected to be published later this week and indicate a sharp acceleration since the spring.

German officials see the continued weakness of the dollar as the main reason for the turbulence of exchange markets in recent weeks, though the 4 per

plus in the first eight months of this year—fully DM 1.2bn above that for the same period of 1977. Dr. Emminger and others have stressed that this was partly the result of improved terms of trade following the turbulence of exchange markets in recent weeks, though the 4 per

cents began seriously to anticipate the setting-up of the EMS, and the recent defensive measures by the Swiss National Bank, the Deutsche Mark had shown much less upward movement this year than last. From the end of 1977 to last Friday, the Deutsche Mark had



cent revaluation of the D-mark against the Danish and Norwegian currencies and the 2 per cent upward adjustment against those of the Benelux countries, also reflect increasing divergence of inflation rates.

The further decline of the inflation rate in West Germany to under 2.5 per cent and the growing number of other indications of strength in the economy, have also played a part in the D-mark's most recent display of buoyancy.

The most compelling indication for the outside world has been the DM 23.8bn trade sur-

plus of which are denominated in dollars. Yet it has also been impossible to escape the conclusion that, for all the cries of alarm at the beginning of this year, West German exports have put up a remarkable performance.

New orders from abroad have been running well ahead of the previous year and, in such key industries as plant construction and engineering, seem to have man authorities seem justified in held up well after some indications of hesitancy on the part of foreign customers early in the spring.

Until foreign exchange mar-

ket rose 13.1 per cent against the dollar, yet only 5.4 per cent against the weighted average of West Germany's 22 most important trading partners' currencies.

The increase against the fellow-snake currencies was only 1.3 per cent during the period. Since the other snake members account for 20 per cent of West German exports, the West German authorities seem justified in their enthusiasm for the system for those who can keep up with it, and will doubtless press the point to Mr. Callaghan and Mr. Denis Healey later this week.

Austria devalues against D-mark

By Paul Lendvai

VIENNA, Oct. 16.

AUSTRIA today carried out a de facto devaluation of the schilling against vis-a-vis the West German mark by 1 per cent but at the same time the schilling was effectively slightly revalued against the Danish and Norwegian crowns and marginally against the Belgian franc and Dutch guilder.

The schilling fell today to 735 per 100 marks from 725. At a press conference, Dr. Hannes Androsch, the Austrian Finance Minister, and Prof. Stephan Koren, President of the National Bank, stressed that Austria wanted to weaken its link with the Deutsche Mark, while continuing with its hard currency policy. "This is a signal that we are flexible without completely revaluing the mark," Dr. Androsch said.

In the first nine months of this year the schilling appreciated by 11.7 per cent against the US dollar and by 2.7 per cent against sterling while dropping 1.3 per cent against the Deutsche Mark and 19.5 per cent against the Swiss franc.

Dr. Androsch and Prof. Koren welcomed the revaluation of the West German mark and expressed the hope that henceforth the currency "snake" would be more stable.

They stressed that in terms of inflation and wage increases, Austria's record this year had been better than that of all the other countries involved in the latest currency realignment, with the exception of West Germany.

The consumer price index in September was only 3.4 per cent up on the position a year earlier and wage rates during the January-June period showed a rise of 6.3 per cent.

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AMERICAN NEWS

Tax Bill shows growing strength of business

BY STEWART FLEMING

NEW YORK, Oct. 16.

MAJOR concessions secured by the business community in the Tax Bill enacted by Congress at the weekend are indicative of a continuing revival in its political fortunes and a wider acceptance of key elements of its economic philosophy.

Some of the most influential leaders of the business groups are clearly immensely satisfied with the months of work and lobbying which has gone into the legislation. Thus Mr. Reginald Jones, chairman of General Electric and the man who has been leading the business roundtable in its moves on tax policy, remarked: "I think the Bill is a pattern favourable to business, an overall cut in the corporation tax rate from 48 per cent to 46 per cent, it made the 10 per cent credit on capital investment in machinery and equipment permanent, and it did not abolish the Domestic International Sales Corporation (DISC). The DISC is a device which

allows businessmen to defer about half their Federal tax on export sales earnings.

At one stage earlier in the year it looked as if DISCs might be abolished, but business, in particular the influential Roundtable, has fought these moves successfully.

Other initiatives, which business feared could eliminate existing tax allowances, have also been fought off. Billie proposals to repeal the foreign tax credit which the U.S. and most industrial nations, give corporations to avoid double taxation, have also not been taken up. Similarly, previous attempts to start taxing foreign corporate earnings before they are repatriated have not been incorporated in the Tax Bill.

While all these decisions can be looked at in isolation from a political and economic standpoint, they fit into a pattern favourable to business and of considerable symbolic significance.

Thus the cut in capital gains tax, taken with the decision to make the investment tax credit permanent, are seen in business circles as important steps towards stimulating lagging capital investment and, through that, beginning to tackle declining

Financing for quieter aircraft falls foul of Congress logjam

NEW YORK, Oct. 16.

THE U.S. airline industry was trying to swallow its disappointment today at the failure of the Congress to approve legislation which would have made \$3.2bn available for re-equipping fleets with quieter aircraft.

The Bill failed to clear the legislative logjam which piled up as Congress worked feverishly over the weekend to pass the energy and tax cut Bills. Its prospects would have been better had the principle of giving finan-

cial help to airlines been non-controversial, but many legislators opposed it on the grounds that airline profits are soaring and that, therefore, the industry could afford to finance the new equipment necessary to comply with new noise standards which come into effect in 1985.

The Air Transport Association estimated that between \$5bn and \$7bn would need to be spent on purchasing quieter engines and new aircraft. A spokesman for the association said today that the industry would now have to decide whether to try again with the legislation after the new Congress is elected next month. "Things are a little blue here today," he added.

The loss of the Bill has significance for some airlines but not for others since the pace of fleet modernisation is by no means even.

Peace talks in Nicaragua

MANAGUA, Oct. 16.

OPPOSITION OF President Anastasio Somoza have given foreign mediators proposals aimed at ending Nicaragua's civil crisis, according to an opposition spokesman.

The broad Opposition Front, a coalition of 16 political groups, agreed to negotiate with President Somoza's Government only through foreign mediators, and the first round of talks was held last weekend. The mediators are from the U.S., Guatemala and the Dominican Republic.

The way was cleared for mediation when President Somoza agreed to opposition demands to lift Press censorship and other measures.

The latest proposals call for the President to resign and leave the country, and for the organisation of a National Democratic and Pluralistic Government which unites all forces.

They also demand implementation of the Front's 16 "minimum points to lay the groundwork for a true democracy in Nicaragua". These include reorganisation of the National Guard, an end to political repression, freedom for political prisoners, a national health programme, and tax and judicial reform.

Mexican Parliament suspends nuclear debate

BY WILLIAM CHISLETT

MEXICO CITY, Oct. 16.

MEXICO'S chamber of deputies, the lower house of Parliament, has decided to suspend discussion of its controversial nuclear legislation for at least a month for revision.

The draft of the nuclear proposal has met stiff resistance from the National Institute of Nuclear Energy's trade union and also from some deputies.

The union is against it because the proposal would divide the institute into three sections and workers fear the loss of jobs. Deputies have expressed concern that the Bill as written could pave the way for the exploitation of the country's rich uranium reserves by foreign and private Mexican companies.

There have been highly nationalistic speeches during the debates—Mexico was the first country in the world to nationalise its hydrocarbons—and also Left-wing demonstrations demanding safeguards that uranium will not fall into foreign hands.

The proposal would split the Nuclear Institute into sections for exploration and exploitation research and security. One



By-elections test for Trudeau

By Victor Mackie

OTTAWA, Oct. 16. A MILLION Canadians are eligible to vote in Monday's record 15 by-elections in what is expected to be a critical political test for the Government of Prime Minister Pierre Trudeau.

Advance indications are that the Conservatives could take many as nine of the seats with only five going to the Liberals, and perhaps one to the Social Credit party.

Losses on that scale by the Liberals would be interpreted as a vote of lack of confidence in Mr. Trudeau's leadership by the Canadian electorate. It would also lead to increasing demands within the Liberal caucus for a leadership convention before the general election late next summer.

Mr. Trudeau, 59 on Wednesday, insists he will stay on to lead his Liberal party into the general election. His 3-year mandate expires in July 1979.

Mr. Trudeau wants to continue as Prime Minister until Quebec decides its future relationship with the Canadian confederation.

The Liberals will retain their majority in the 284-seat House of Commons even if they lose all 15 constituencies. But severe Government losses would give Trudeau's opponents a psychological boost in the next months leading up to the general election.

Volkswagen strike ends

NEW STANTON, Oct. 16.

A WEEK-LONG STRIKE by workers at Volkswagen's only U.S. production plant ended today as many members of the United Auto Workers Union returned to their jobs.

"The workers are back in good numbers and production has resumed," said a VW spokesman at the plant, which assembles about 300 cars a day.

The 1,800 members of UAW's local branch walked out last Monday. The strike was unofficial. On Saturday, the rank-and-file organised a vote in which 800 workers opted to return to work today. 390 voted to stay on strike, and about 700 did not cast ballots.

Pending the return to work, UAW international representative Harry Davis and other UAW bargaining agents were to resume talks over the Union's first contract with the German carmaker. Wages remain the key point of difference.

The walkout began after local UAW members voted 1,335 to 70 to reject an offer that would have provided a minimum hourly wage of \$9.52 by 1981.

The workers are now paid an average of \$5.50 an hour, which would have immediately been increased to \$6.80 under the rejected deal.

Brazil's 'palace guard' accused

BY DIANA SMITH

RIO DE JANEIRO, Oct. 16.

SUBSTANTIATION has been given by an army major to charges which were leaked recently alleging corruption, wire-tapping and manipulation of the presidential succession by a "palace guard" surrounding President Geisel.

The accusations were made in a letter circulated to senior military officers by Gen. Hugo Abreu, former head of President Geisel's military household. They were confirmed, and greater detail was given, by Major Adalberto Barreiros, former assistant to the presidential public relations chief.

First Gen. Abreu, and now Maj. Barreiros, have been placed under 30-day military disciplinary arrest. It seemed that with Gen. Abreu's arrest last week, keeping him out of circulation until after October 15, military leaders hoped to confine the matter to the military forum. This has not been the case.

Once Gen. Abreu had made his allegations of palace guard scheming more accusers came forward, this time with allegations of "commissions" on foreign deals paid into "secret bank accounts".

These accusations were drawn from a secret report said to have been made by a former Brazilian military attaché to his senior officers. The existence of this report was originally denied, but the now-arrested Maj. Barreiros has said that it existed and had been shown to President Geisel.

The presidential palace originally kept silent. Last week, however, as it became clear that not only the Opposition, but also members of the pro-Government press, were making detailed accusations of high-level corruption, Presidential officials have begun to defend themselves, angrily refuting all allegations.

The immediate cause of the resignations from their posts at the presidential palace earlier this year of Gen. Abreu and Maj. Barreiros was their disagreement with the manner in which Gen. Joao Baptista Figueiredo had

been selected as presidential successor. Gen. Figueiredo was then chief of the National Intelligence Service (SNI), and it has since become clear that he was chosen without widespread consultation of the military.

Much of the initial dismay at his choice has diluted since Gen. Figueiredo has shown himself publicly to have an earthy, rough-hewn gift for blurring out home truths and projecting an image of a man committed to democratising Brazil.

So apparently overwhelming is his talent for speaking his mind that, this week, when pressed by reporters about the accusations of widespread phone-tapping that—going completely against official Press headlines—hints that the whole matter was a "James Bondian frame of mind"—he admitted that Brazilian phones were, indeed, tapped (but that he had not ordered any bugging while head of the SNI), and that it was the easiest thing to do in the world—but also the hardest thing to abolish.

Space Shuttle likely in 1979

BY DAVID FISLOCK, SCIENCE EDITOR

THE U.S. National Aeronautics and Space Administration rates its chances of launching its space shuttle before President Carter's next birthday, on October 1, 1979, as rather poor. Mr. Carter has hinted he would like NASA to aim for that date.

After reviewing European progress on space shuttle technology, Dr. Robert Frosch, administrator of NASA, said in London that there was "a 75 per cent chance" that the space transportation system would make its first flight before he end of 1979.

The space shuttle is a re-usable rocket system designed to launch payloads weighing up to 30 tonnes into earth orbit.

The European Space Agency, in which Britain is a partner, is building one of the most sophisticated of the non-military payloads, in the shape of Space Lab. After visits to ESA headquarters in Paris, to its main sub-contractor in Bremen, and to Fairbairn, Dr. Frosch has concluded that spacelab is about three to six months behind schedule—much the same lag as the space shuttle project itself.

He had reassuring news for those who have been forecasting that Skylab—an earlier NASA orbiting laboratory—would fall out of orbit, perhaps on to an inhabited area. He believed that Skylab would survive long enough to take action to make the satellite safe.

This action could be either to "deboost" it under control—that is to steer it safely back to earth—or to boost it into a

higher orbit. Dr. Frosch said he favoured kicking it into a higher orbit because—against all expectations—its systems seemed to be in good shape, and the satellite might be brought into service again.

No decision whether to re-inhabit Skylab could be taken until astronauts examined its condition, he said.

The Space Shuttle will be able to place satellites out of orbit—a capability which interests the U.S. Department of Defence. It has contributed a large proportion of the project's funds.

But Dr. Frosch emphasised that separate military and civil science missions would be flown to simplify the problems of security on the experiments for the Pentagon.

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OVERSEAS NEWS

Syria spurns U.S. hopes for peace treaty support

BY ROGER MATTHEWS

DAMASCUS, Oct. 16

PRESIDENT CARTER was "dreaming" if he thought that Syria would support the Camp David peace accords, a senior Syrian official said today. The official said that Syria would not support the accords, which would require Syria to sign a peace treaty with Israel. The official said that Syria would not support the accords, which would require Syria to sign a peace treaty with Israel.

The Arab League Charter. And Mr. Iskandar pointed particularly to a resolution of April 1950 which stated that if a country signed a separate deal with Israel then not only should it be removed from the League, but also all direct or indirect monetary links would be severed. The Minister insisted, however, that Syria was not rejecting peace, which it sincerely desired, but that it was convinced that

the Camp David agreements were not the way to achieve it. "The three-card trick that Carter, Begin and Sadat are playing will not lead to peace but will push it further away," he said. Mr. Iskandar added that it was possible that there would be talks between Syria and Iraq before the Baghdad summit in order to discuss the long-running dispute between the two countries.

Sarkis calls for decision

BY HANAN HJAZI

BEIRUT, Oct. 16

A CLOUD of black smoke hung over Beirut today as a reminder to Arab Ministers and officials who have been meeting since yesterday at the mountainous resort of Beit-eddin, 20 miles away, to find a way out of the Lebanese impasse.

A brief artillery exchange between Syrian troops and Christian Militia last night at Karantina at the north-eastern entrance to the capital set an oil storage tank on fire. Each side accused the other of violating the truce.

According to Press reports, 30 people have been killed by sniping since the latest truce went into effect nine days ago. Roads leading in and out of the capital have been closed since the Beirut and Muslim West Beirut remain unsafe.

Tension spread northward when militia supporting former President Suleiman Franjeh kidnapped 15 people in Al Batroun district. Voice of Lebanon, the Phalangist radio, said two of the abducted men had been found dead, one of them decapitated.

President Elias Sarkis is reported to be pressing the representatives of Saudi Arabia, Syria, Kuwait, the United Arab Emirates, Qatar and Sudan to speed up their deliberations.

James Buxton reports: Sanaa, capital of North Yemen, was reported quiet yesterday after the crushing on Sunday of an attempted coup against President Ali Abdullah al-Saleh. There are no details of casualties but Sanaa radio said the conspirators would be tried by court-martial.

Soviet steel assistance for India

By K. K. Sharma

NEW DELHI, Oct. 16

JUST A fortnight before India's Foreign Minister makes his first visit to China in 18 years, the Soviet Union has announced extensive new aid to India. Russia will help build a new 3m-tonne steel plant at Vishakhapatnam, Andhra State, a major 300,000 tonne alumina plant to exploit the huge bauxite reserves along the eastern coast and has assured India of immediate and long-term supplies of badly-needed coking coal.

The new steel plant will eventually raise India's production capacity to nearly 15m tonnes although it will initially enable the country to produce 5m tonnes within 2 years. More importantly, if the coking coal supplies come early enough, they can prevent the entire Indian steel industry from grinding to a halt.

The steel industry is threatened with closure as a result of flooding of coking coal mines in west Bengal and Bihar.

Chris Sherwell reports from Islamabad: In another move against the Pakistan People's Party, the military government today ordered the effective censorship of eight newspapers known to be sympathetic to the party's leader, the former Prime Minister Mr. Bhutto.

The government's action marks a continuation of its recent hard line against the party as Mr. Bhutto's appeal against the death sentence moves slowly towards a climax. The newspapers affected include the official Pakistan People's Party newspaper, Musawwat.

Army show of strength as Iran mourns

BY ANDREW WHITLEY

TEHRAN, Oct. 16

IRAN'S martial law authorities today mounted a massive show of strength in the capital and major provincial cities in anticipation of violence that did not come.

It was a day of national mourning for the hundreds shot down by troops in Jaleh Square, Tehran last month, on the first day of martial law. The call by religious leaders and opposition parties for Iranians to stay at home, close their shops and attend mourning ceremonies at mosques was highly successful.

But the virtual absence of bloodshed on a critical day for the authorities has also enhanced Mr. Sharif-Emami's prospects of staying in office as Prime Minister until next summer's general elections. Emphasising the theme of reconciliation and moderation, two Government Ministers today issued statements in sympathy with the mourning day.

In retrospect, the army appears to have over-estimated the extent of the threat from demonstrations. Over 2,000 troops were deployed throughout the sprawling capital and its suburbs. Armoured personnel carriers and machine-guns mounted on trucks guarded many squares.

Periodically throughout the day, long convoys of army trucks packed with soldiers, and led by British-supplied Scorpion light tanks, wound slowly through the modern, business heart of Tehran.

The university district, the poorer regions of south-east Tehran and the suburb of Rey were particularly heavily guarded. But the only reports of violence have been of minor, scattered clashes, with the casualty figure unknown. A newspaper report that three people had died in a shooting

incident in west Tehran was denied by the Government.

Tehran's main cemetery of Behesht Sabra was the scene of one demonstration. At its gate heavily armed troops searched all vehicles going in, presumably for weapons. Nearby half a dozen lorry loads of army ranks—professionals brought in to replace the conscripts who make up much of the army—waited in reserve.

The strike call was observed completely in the southern half of this city of 5m inhabitants, and closed most offices and shops in the business centre and in the north. But there was little tension in the city. Many Iranians appear to have become accustomed to these regular stoppages.

On the other hand, there are increasing signs of restlessness among the business community at both the political strikes and

the pay strikes in key Government sectors.

All work has been stopped in the post office for 13 days. A strike by Customs officials is also in its second week.

Although several large Government departments agreed to go back to work at the end of last week, strike fever continues in the provinces and in the hospital service.

Incomplete reports from the provinces suggest that today's political strike was observed in nearly all towns. Demonstrations were reported in the western town of Zanjan and there are unconfirmed reports of several dead from police shooting in the south-western town of Dezful.

Hardly any institutes of higher education are open and there is a strong possibility that the academic year will be cancelled in some cases.

S. Africa power plant

BY RICHARD ROLFE

JOHANNESBURG, Oct. 16

THE SOUTH AFRICAN Electricity Supply Commission (ESCOM), which runs the Republic's primarily coal-fired electricity system, is to construct a new 3,600 Mw coal-fired power station at a cost of R1.2bn.

The power station, to be known as Ilanga, follows the pattern set by the most recent projects, Matla and Duvha. It consists of six 600 Mw units, phased in over a period of five to six years, and will be fed by a giant colliery with an eventual output of about 10m tons of coal per year.

The Ilanga project was first announced in September, 1976, but the ensuing slowdown in the Republic's economy led to a post-

ponement. The plan now calls for Ilanga to be phased in during 1986, when Matla and Duvha have reached capacity. ESCOM has called for tenders for coal supplies and will put out the tenders for the main plant, turbines and generators early in 1979.

In the past, UK firms have won large orders for comparable projects. GEC obtained an R100m contract for the supply of generating plant to Duvha, and MacAlpine's has carried out civil engineering work.

A final decision on the siting of Ilanga has yet to be taken, but it will almost certainly be in the Eastern Transvaal, near the existing power stations.

New Zealand flood chaos

BY DAI HAYWARD

WELLINGTON, Oct. 16

NEW ZEALAND'S worst floods of the century, which have left thousands homeless in the south and caused damage estimated at \$70m, have been declared a national disaster.

Flood waters bursting the banks of a dozen different rivers over several hundred square miles have flooded towns, and thousands of acres of farmland, inundated airports, washed out main railway lines, cut power and other services and washed away bridges.

Entire townships have been evacuated and thousands of sheep, lambs and cattle have drowned. The meat industry is among those put out of action by up to 5 ft of water.

Ma Taura, with a population of 3,000, is the largest town affected.

Kelso and Balclutha were also badly hit. No loss of life has been reported but several people have been plucked from rooftops and the Government has set up an emergency disaster fund.

AP-DJ reports from Canberra: Australia's unemployment fell by 5,935 or 1.5 per cent to 382,861 in September from August, according to registrations with the Commonwealth Employment Service (CES).

The unemployed represented a per cent of the estimated labour force at the end of September, compared with 5.3 per cent in September last year. Unfilled job vacancies registered with the CES increased by 6.2 per cent to 19,182 in September.

ARAB INDUSTRIALISATION

Trying not to mix business and politics

BY ROGER MATTHEWS IN BEIRUT

ARAB REACTION to the outline peace agreements for the Middle East reached last month at Camp David and the subsequent changes among Egypt's top military commanders now seem to be having an effect on Arab efforts to establish their own multi-billion dollar armaments industry. This could have important repercussions for both Britain and France which have signed valuable contracts with the Arab Organisation for Industrialisation. The AOI was set up by Saudi Arabia, Egypt, Qatar and the United Arab Emirates in 1974 to provide the umbrella under which the armaments industry would develop.

The link between inter-Arab tensions and the AOI is not yet fully established but there are several pointers. First, Saudi Arabia has been deeply concerned by the Camp David agreement and might wish to review its range of financial support for Egypt if President Sadat insists on signing what would amount to a separate deal with Israel and becomes more isolated from the rest of the Arab world.

Second, Mr. Sadat last week sacked his military commander and Minister of War General Abdul Ghani Gamassy, who as one of the four-man higher committee of the AOI had played a major role in the development of the organisation and its purchasing decisions. The other three members of the higher committee are Prince Sultan Bin Abdel Aziz of Saudi Arabia, Sheikh Ahmed Bin Khalifa Al Thani of Qatar, and Sheikh Khalifa Bin Zaid of the UAE.

Third, Mr. Sadat this week has effectively removed the executive head of the AOI, Mr. Ashraf Marwan, from his post by issuing a decree ending his secondment from the Egyptian Presidential Office. Mr. Marwan then resigned his job and was appointed an Ambassador at the Foreign Ministry, according to the semi-official Egyptian newspaper Al-Ahram. Another Cairo newspaper Al-Akhbar said Mr. Marwan had been demoted because of accusations relating to corruption and abuse of power.

AOI is the most impressive inter-Arab industrial venture of recent years and its elegant headquarters in Cairo are the outward symbol of what has been a determined effort to cream off the managerial talent from other industrial sectors. The four participating countries have equal shares in the organisation although Saudi Arabia, Qatar and the United Arab Emirates subscribed the initial \$1.1bn capital while Egypt pledged to provide some industrial facilities and much of the skilled manpower.

So far four major deals have been negotiated covering jeeps, helicopters, anti-tank guided weapons and jet fighter aircraft. This highly ambitious programme is understood to be in the process of being supplemented by agreements covering electronic equipment, air-force missiles, communications and guidance equipment.

Apart from the deal with American Motors of the U.S.—which has already led to the first of 12,000 jeeps rolling off the assembly line in Egypt—all other contracts have been signed with Britain and France. The initial British deal was signed last year between the Dynamics Group of British Aerospace and the AOI for the assembly and then construction in Egypt of the Swingfire anti-tank guided weapon. The value of the contract is put at more than \$40m and the venture is controlled by a joint company, Arab-British Dynamics, of which AOI has 70 per cent and British, Egypt.

Aerospace: 30 per cent. It is intended that the entire missile should eventually be manufactured in Egypt at a factory near Cairo and Swingfire is then likely to be mounted on an adapted version of the American Motors Jeep.

All subsequent deals have followed the same joint venture structure with separate companies overseeing each project. After Swingfire came agreement with Westland and Rolls-Royce for production of the Lynx twin-engine multi-purpose helicopter the value of which could eventually top \$400m.

More than 200 of the Lynxes with Rolls-Royce Gem engines may be produced in Egypt, although it is understood that the first 20 would be shipped ready-built from Britain. Initial work is expected to start within four months in Egypt and the first locally assembled helicopter may be flying one year after that.

But the most controversial of the AOI contracts came last month when an agreement was initiated with the Dassault-Breguet company of France for the purchase and assembly of the Franco-German Alpha-jet trainer which can also be used in a low-level intercept and strike role. Some 14 planes will be delivered direct from France and it is envisaged that a further 150 will be assembled and part-constructed at Helwan, south of Cairo.

SAUDI ARABIA, the world's largest oil exporter, today slightly revalued the rial upward against the U.S. dollar, money market sources said. Reuter reported from Bahrain that the Saudi monetary agency told dealers that from today the selling price for the dollar would be 3.21 rials.

The previous price was 3.33 rials to the dollar. Today's revaluation means there has been a 3.8 per cent movement against the dollar since July 11. This has been done in eight small revaluations.

Opposition to the Alpha-jet within the AOI and part of the Egyptian airforce was concentrated on two factors. That the French aircraft was inferior to its main rival, the British Hawk, and that only a relatively small part of it would actually be manufactured in Egypt. The Alpha-jet did not help its case when three weeks ago it crashed during a demonstration flight near Cairo. The exact role played by President Sadat when he stepped in Paris on his way to the Camp David Summit is not clear, but it was thought a wise political decision to avoid relying too heavily on one country for armaments purchases and the French were also offering the much more sophisticated high level interceptor, the Mirage 2000, as part of the Alpha-jet deal. The overall value of the French deal has not been given but it could in time approach \$1bn.

Not all work is, however, to take place in Egypt and the latest AOI project is understood to involve the production of surface-to-surface and air-to-air missiles in Saudi Arabia together with associated radar and control equipment.

But the most difficult tasks for AOI still seems to lie in acquiring the right ensuring middle management, of ensuring a new approach to "quality control" that is of critical importance when assembling jet aircraft. The one thing that the organisation has never appeared short of is cash, a disability so often faced in dealings with other industrial concerns in Arab-British Dynamics, of which AOI has 70 per cent and British, Egypt.

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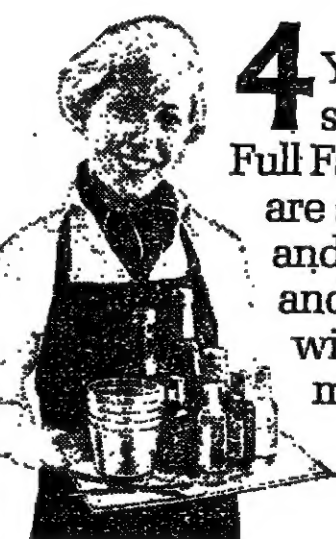


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WORLD TRADE NEWS

Japan car talks start November 6

BY CHARLES SMITH

THE Japan Automobile Manufacturers' Association (JAMA) has agreed to hold two days of talks with its British opposite number, the Society of Motor Manufacturers and Traders (SMMT), at the beginning of next month, a JAMA spokesman said today.

The talks will start in London on November 6 and will be concerned with the prospects for Japanese car exports to the UK in 1979, although JAMA would certainly not agree that the purpose of the meeting is to negotiate a ceiling on Japanese car exports to the UK next year.

The SMMT has been trying to get JAMA's agreement to a meeting to discuss Japanese exports for several months but the Japanese Association failed

to respond positively until very recently.

The reason for its change of heart appears to have been the "persuasion" applied by the Ministry of International Trade and Industry in the aftermath of last month's talks between the Japanese and UK governments on car exports.

At these talks the UK (in the person of the British Ambassador to Tokyo, Sir Michael Wilford, apparently asked MITI to use its influence with JAMA to have the SMMT invitation accepted.

In declining to enter into hard and fast agreements with the SMMT over the level of Japanese car exports, JAMA can take its stand on the legal position that such an arrangement would violate the terms of Japan's

Anti-Monopoly Law.

The Anti-Monopoly Law, however, does not prevent the Ministry of International Trade and Industry from "ordering" Japanese car manufacturers to restrain their export to the UK to certain levels. This is what MITI has been doing since last April in response to pressures from the British Government.

It is possible, though not certain, that once JAMA and the SMMT have met, the UK may again approach MITI for an undertaking to restrain car exports. Action of this kind risks infringing the rules of the EEC which make trade negotiations with third countries the preserve of the EC Commission.

However, if the British Government approaches MITI after talks have been held at industry-to-industry level it can always claim to be doing so in order to "clarify" the industry talks, not with a view to conducting independent negotiations.

The short-term situation with regard to Japanese car exports to Britain is that shipments are being cut back drastically in October in response to British demands for "firm evidence" of Japan's intention to keep its 1978 shipments at or below 1977 levels.

Japanese car manufacturers are believed to be under instructions from MITI to continue holding down shipments during the first part of next month as well.

U.S. official on export credit visit

By Our Own Correspondent

WASHINGTON, Oct. 16.

A SENIOR U.S. Treasury official today began a week of talks in Europe designed to head off the threat of an "export credits war."

Mr. C. Fred Bergsten, the assistant secretary for international affairs, began his visit in Bonn today and will be also conferring in Paris, Brussels and London in advance of the annual OECD review of export credits due to be held in Paris on Monday of next week.

Mr. Bergsten will also take the opportunity on his trip to discuss international investment policies.

Specifically, the U.S. wants to see a tightening of the existing arrangements, particularly in so far as the level of interest rates is concerned, with the U.S. preferring that rates be higher than they generally are at present.

The U.S. is also anxious to discuss the more universal application of rules governing export credits. Some European officials are known to suspect that this reflects U.S. concern that other countries are starting to challenge traditional American dominance of certain markets—such as civil aviation.

The U.S. has made no secret of the fact that it dislikes what it considers to be the unfair financing edge granted projects such as the European Airbus. But it also makes the point that there are other areas, such as shipbuilding, where the U.S. enjoys no market domination and where export credit rules do not apply.

Carter seeks to nullify Congress stand on duties

BY JUREK MARTIN

WASHINGTON, Oct. 16.

THE CARTER Administration was today seeking ways of nullifying two items of yesterday's Congressional action which threaten to complicate the multinational trade negotiations in Geneva.

The most serious of these is the failure by Congress to extend the President's authority to waive the imposition of countervailing duties on imports beyond its scheduled expiration on January 3rd next year. A clause granting a temporary extension to February 15 was tacked on to the sugar bill, which passed the Senate but narrowly lost in the House.

Mr. Robert Strauss, the special trade representative and Mr. Michael Blumenthal, the Treasury Secretary, were conferring today to see if there were administrative ways round this problem. This is a complex legal area and officials were loathe to speculate on what device might be found that would both serve its purpose and not contravene the laws of the land.

The Administration is absolutely confident that when Congress reconvenes in January, it will be easy to secure the necessary extension. It was pointed out today that both Houses had approved the proposal in principle at various times during the last legislative session.

Approximately \$100m worth of EEC-process food exports to the U.S. could be subject to the imposition of U.S. countervailing duties because of subsidies paid under the Common Agricultural Policy.

The second issue is the congressional vote to exclude textiles from the Geneva trade

negotiations. The Administration had argued that if this were done to serve American textile interests other countries with similar problems with domestic industries would seek similar exclusions, thus severely weakening whatever trade agreement is finally reached.

But the textile exclusion, sponsored by Senator Hollings of South Carolina, in the end passed Congress as an amendment to what is known as the "Carson City Coinage Bill" covering the issue of silver dollars. This is a minor piece of legislation which President Carter could veto with impunity, or simply not sign at all, in which case the bill would die.

The Administration was much more concerned that the textile clause was going to be tacked on to the Export-Import Bank Bill, providing a \$40m

five-year financing of the agency, which is central to Mr. Carter's hopes of boosting U.S. exports. Had that happened, as appeared likely in the final chaotic days of the 95th Congress, Mr. Carter would have been faced with a very difficult decision.

Senator Hollings retains hopes that Mr. Carter will in the end back the textile exclusion clause. He conferred with the President yesterday, and his stand at the morning that further meeting was planned for later this week or early next.

Mr. Hollings is a valuable political ally of the President, and the weight of his arguments is likely to be appreciated by the White House. But U.S. trade officials today appeared confident that the President would not succumb to this pressure.

Tokyo says EEC trade deficit is down

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

LUXEMBOURG, Oct. 16.

A SHARP reduction in Japan's trade surplus with the EEC, measured in yen terms, took place during the first eight months of this year, according to figures furnished to the European Commission by the Japanese government.

The statistics show that the value of Japanese exports to the EEC fell by 4 per cent, compared with the first eight months of last year, to ¥1,507bn (£403bn), while imports from the EEC rose 12 per cent to ¥1,545bn. Japan's resulting surplus fell 18 per cent over the period to ¥855bn.

This apparent improvement contrasts strongly with a continued rise in Japan's trade surplus with the U.S., which is said to have increased by 47 per cent to ¥1,465bn. Japan's global surplus grew even faster to

¥2,372bn, a rise of 127 per cent in dollar terms, however, the Japanese trade surplus with the EEC showed a small increase of 2 per cent, to almost \$3bn. The increases in Japan's trade surplus with the U.S. and the world as a whole were even bigger when measured on this basis, amounting to 80 per cent and 77 per cent respectively.

Experts at the European Commission, which will report formally on the statistics to EEC Foreign Ministers here today, are puzzled by the exact reasons for the difference in trade performance between the U.S. and the EEC. It is

ascribed partly to the fact that a much higher proportion of U.S. exports is in raw materials, in which trade has recently been slow.

Commission officials have

tentatively concluded that the statistics reflect a change in the terms of EEC-Japan trade resulting from the strong appreciation of the yen over the past year. The appreciation against the dollar during the year to September was 42 per cent, and 25 per cent on a trade-weighted basis against all currencies.

However, it is not yet clear how much of the reduction in the trade surplus with the EEC was due to Japanese administrative controls on exports.

The Commission is cautious about assessing the outlook for the trade balance and are sceptical whether Japan will be able to meet its latest official forecasts, calling for a 6-7 per cent drop in global exports and a 9 per cent rise in imports during the current fiscal year.

Assuming that the yen-dollar rate remains stable, these forecasts envisage an overall current account surplus during this fiscal year of ¥2.7bn. This figure also assumes that the \$4bn emergency import programme is fully carried out.

The Japanese Government has apparently declined to forecast future trends in trade with the EEC. But Commission officials believe that a further reduction in Japan's bilateral trade surplus with the community should be possible during the second half of this fiscal year.

But beyond that, the Commission believes that the EEC will face increasingly sharp competition from U.S. exporters as the recent rise in the value of the yen against the dollar takes effect.

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Ron Narramore is a Director of Flexiveyor Products Ltd., of Tamworth (part of the Narramore and Tozer Group), which last year sold £200,000 worth of conveyors in Europe alone.

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UNCTAD report accuses tobacco multinationals

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

AN OFFICIAL UNCTAD report has accused the seven major tobacco multinationals of dominating the industry world-wide by means of large-scale bribery, price collusion, and deliberate concealment of financial information. The report also gives comprehensive details of the Mafia's illegal operations in the U.S., and warns of a Mafia bid to penetrate the tobacco companies through the legitimate stock acquisitions.

The report's findings are likely to increase the pressure for a third World Convention—who produce more than half the world's supply of leaf tobacco—to try to curb the power of the tobacco multinationals.

The UN report is called the "Marketing and Distribution of Tobacco" and was prepared by the secretariat of the standing UN Conference on Trade and Development (UNCTAD) based in Geneva.

One of its main findings is the extent to which the seven major tobacco multinationals dominate the world market. The seven companies are: British American Tobacco, the Imperial Group, Philip Morris, R.J. Reynolds, and Western, the Rupert, Rembrandt, Rothmans group, and the American Brands.

Their direct operations, some 39 per cent of the market is an underestimate of their effective control of the market through "profits." The bulk of net dominance of particular brands, income comes from "loan-the-report" says. To maintain "sharking" and gambling, their dominance the tobacco multinationals spend some \$1.5bn on advertising.

The report states that "another component of world tobacco marketing is global operations of the Mafia in the corporate bribery or the 'pay-off' complex involving millions over a quarter of the total of dollars." It says that only a

W. German investment up

BY ADRIAN DICKS

BONN, Oct. 16.

DIRECT private investment abroad by West German business and industry is now running at over twice the level of foreign private investment in West Germany, according to figures published by the Economics Ministry here.

During the first half of this year, West German private investment abroad was worth DM2.7bn (£715.23m), up DM200m from 1977, while foreign investment in the other direction was worth only DM 1.3bn—nearly DM 200m less than for the first half of last year.

On a cumulative basis, too, West Germany is a growing net exporter of capital, with investments in other countries worth DM 54.8bn, now well ahead of foreign investments in West

Germany that now total DM 50.5bn.

The first half figures show little change in the preferences of West German investors. The U.S., which was the object of DM 73m of new investment, was the single most desirable country for West German investors, followed by France (DM 313m), Belgium / Luxembourg (DM 27m), Switzerland (DM 26m), Canada (DM 236m) and Brazil (DM 176m).

The United Kingdom attracted only DM 53m worth of German investment.

Between them, Western Europe and America accounted for 92 per cent. The chemical industry was the leading investor, followed by the banks, mechanical engineering, insurance, motors, oil and gas and steel companies.

Malaysia tightens rules

BY WONG SULONG

KUALA LUMPUR, Oct. 16.

THE MALAYSIAN Government has announced that fully-owned foreign companies will be excluded from tendering for government contracts from next year, unless they take in local partners.

Currently most of the Malaysian Government purchases of foreign goods and large contracts are done through local companies, wholly-owned by foreigners.

The Secretary General of the Malaysian Treasury, Mr. Tan Sri Abdullah Ayub said that from next year, only companies with "reasonable local equity and a minimum 30 per cent Malay shareholding" will be allowed to tender for Government contracts. He said this was to encourage

local participation in foreign companies which are currently doing business with the Government.

Mr. Ayub said there has been an appreciable increase in foreign purchases by the Malaysian Government in recent years, adding that this trend was expected to continue in view of growing public sector expenditure and development.

Foreign companies here say the move was not surprising. In recent months some of them, particularly those tendering for government contracts for vehicles, defence equipment and construction projects, have taken in local partners.

Poland wants more exports to UK

BY ANTHONY ROBINSON

MR. STANISLAW DLUGOSZ, the Polish Deputy Foreign Trade Minister, told British delegates to the Anglo-Polish Joint Economic Commission in Warsaw that Britain would have to increase imports of Polish goods as a precondition for increased trade between the two countries.

British exports are currently at a relatively high level, due mainly to plant and machinery exports for major projects like the Macewicz-Perc complex and the Massey Ferguson Perkins Ursus tractor plant development.

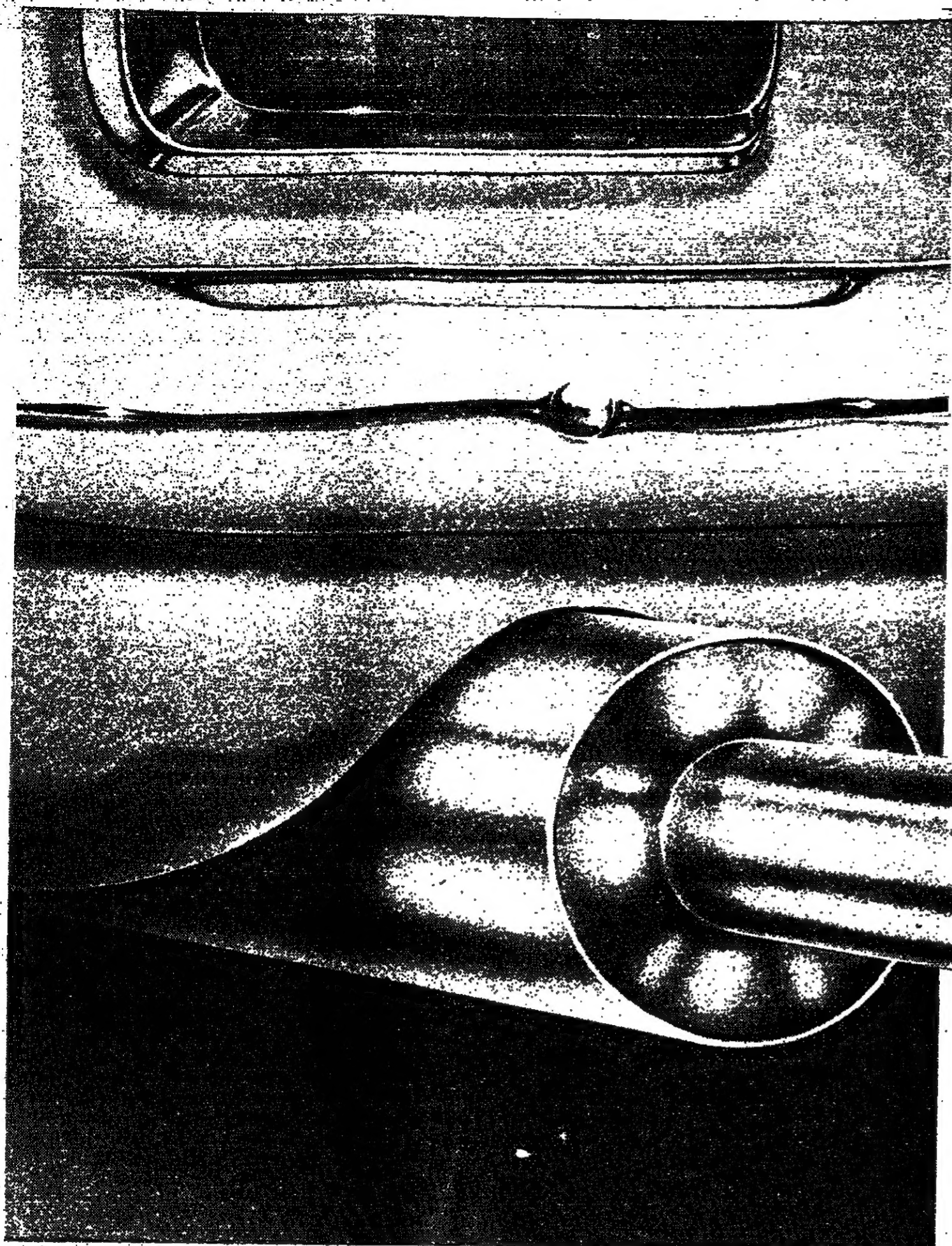
Such exports are not amenable to the kind of restrictions which the Polish authorities have goods,

applied on a wide range of less-essential hard currency imports recently in an attempt to reduce the Polish trade deficit.

According to the Department of Trade the UK surplus in bilateral trade over the first eight months amounted to £24.4m although Polish statistics, which include purchases through London Commodity markets, put the Polish deficit at £129m over the first seven months.

Mr. William Knighton, Deputy Secretary for Trade, and leader of the 13-man UK delegation of officials and businessmen, said that British firms were increasingly seeking outlets for Polish

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The cost of corrosion The Hoar Report* estimates Britain's losses from corrosion as costing us a horrifying three-and-a-half thousand million pounds.

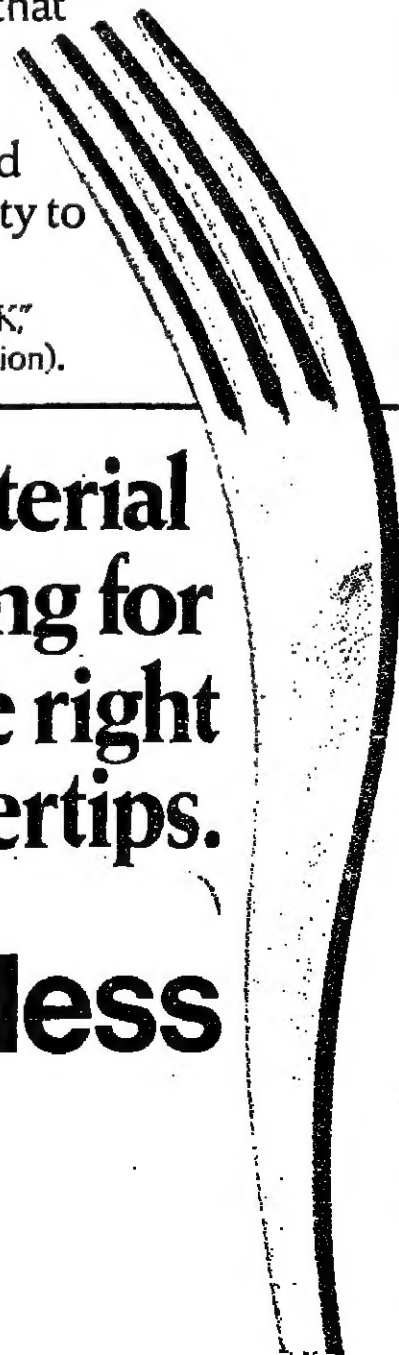
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*"A Survey of Corrosion and Protection in the UK," published by the D.T.I. in 1971 (figures adjusted for inflation).

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HOME NEWS

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By Richard Evans, Lobby Editor

AN INCOMING Conservative Government would give top priority to negotiating a sales agreement for Britain's hard pressed fishing industry, Mrs. Margaret Thatcher, leader of the Opposition, promised last night.

In a message to the electorate of Berwick and East Lothian, where there is a by-election on Thursday, Mrs. Thatcher said that a Tory administration would be no less tough in negotiations with Britain's Common Market partners than the Labour Government.

Indeed, they would have a greater chance of success because of their more co-operative and less obstructive attitude to EEC affairs in general.

The tone of her message shows how nervous Conservative leaders are at the impact being made on the fishing industry by Mr. John Silkin, Minister of Agriculture and Fisheries, from his tough negotiating posture.

Message

Mrs. Thatcher is to meet representatives of the fishing industry at the Commons early in the new session in a move designed to assure fishing interests that the Tories would not sell them out as part of a Common Market bargain.

Her message to the Tory candidate at Berwick, Miss Margaret Marshall, said that there could be no doubt of the Conservative Party's determination to support to the full the interests of British fishermen.

At stake are the livelihoods of thousands of people both at sea and ashore, as well as a vital national food reserve. Fishermen will not find the Conservative Party wanting. The fisheries issue will be given top priority in our negotiations in Europe when we return to office.

Time was not on Britain's side, while negotiations dragged on in Brussels, over-fishing continued. "If we cannot obtain early agreement from our European partners, it will be necessary to bring in further conservation methods, hopefully in unison with Brussels but if necessary unilaterally."

ERF to spend
£10m more on
truck output

Financial Times Reporter

ERF, one of the few UK independent truck manufacturers, is to spend £10m to double production over the next five years.

The programme includes a new production facility at Wrexham which it says should create more than 1,000 jobs.

The present manufacturing base, 30 miles away at Sandbach, Cheshire, has no further room for expansion, but will remain the company's main base and headquarters.

ERF's output is 3,500 trucks a year, 90 per cent of which are sold in the UK. Mr. Peter Foden, chairman, believes that in the short-to-medium term the company's main thrust must continue to be in the home market.

He is concerned about foreign vehicle penetration at the heavy end of the UK market, a trend which British manufacturers are, having some difficulty to contain.

Midway through this year, for example, ERF had won 12.3 per cent of the UK market for extra heavy duty trucks, over 28 tons. But Volvo of Sweden was market leader with 25 per cent.

Nationalised industry
proposals criticised

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

GOVERNMENT proposals for the reorganisation of the nationalised industries, set out in a White Paper published in April, have run into opposition from Boards in the public sector.

The White Paper recommendations were based on an original report from the National Economic Development Office. One of the main proposals, which the Government accepted, was that Secretaries of State and Ministers should have the power to issue specific directions to the nationalised Boards rather than the present ones "of a general character".

The Government suggested in the White Paper that in some industries a civil servant from the sponsoring department, and sometimes from the Treasury, should be appointed to the Board after consultation with the chairman concerned.

These proposals are criticised in observations on the White Paper from nationalised industry Boards, which were published yesterday by the Commons Select Committee on Nationalised Industries.

NEDO also called for a radical

change in institutional arrangements. It suggested that each nationalised industry should be run by a policy council responsible for strategy, and a corporation Board acting as the executive authority.

The policy council would include corporation Board members and representatives of Government departments, the trade unions and consumers.

This approach was rejected by the Government, but some of the nationalised industries think it might work under the right circumstances.

The British Gas Corporation says in its submission that it is opposed to government intervention in the day-to-day management of the industry and particularly in powers to issue specific directions.

If such powers were given it believes legislation should give the Corporation the right to provide a full report to Parliament on matters dealt with in any specific direction.

Nationalised industries, should have the right to ask for a direction in specific cases rather than being asked to implement the Government's wishes.

It would not object to a civil servant from the Department of Energy being a part-time member of its board, provided he was ready to take full collective responsibility for the Corporation's decisions. It warns, that if as a result there were a serious conflict of interest it would be damaging to relations between the industry and its sponsoring department.

It was pleased that the Government had rejected policy councils on the grounds that it would slow down decision making and confuse responsibility.

But British Aerospace says the idea of a policy board was dismissed too readily by the Government. It believed that it would be worthwhile considering the idea further so long as the sponsoring department were reduced in size and the sponsoring board were not an addition to the existing two-tier structure.

British Airways says that it would prefer powers of specific direction not to be introduced.

British Railways Board agrees with the rejection of policy councils.

Marginal oilfields face tax net

BY OUR ENERGY CORRESPONDENT

MANY North Sea oilfields regarded as only marginal commercial prospects will become liable to pay Petroleum Revenue Tax if higher rates proposed by the Government are implemented next year.

According to a report prepared by the Department of Political Economy at Aberdeen University, the higher rates of PRT would reduce the profitability of many fields.

The study, by Mr. Alexander Kemp and Mr. David Crichton, says that it is difficult to see what effects the new tax system would have on the pace of development in the North Sea as a whole.

Prospective returns to smaller fields are certainly reduced. Whether this stops or postpones the exploitation of such fields depends on the minimum acceptable return to operating companies.

"It is clear that the amount of funds becoming available to oil companies from their current operations in the North Sea will be significantly reduced by the proposed changes."

The availability of internally generated funds might have a big influence on future investments in the North Sea. In addition the relative attractiveness of opportunities in other offshore areas of the world could be a big factor in deciding where future investment would go.

The present system of oilfield taxation was far from satisfactory, but it was difficult to make radical improvements to a method that had been in operation since 1975.

The report shows how the new rates of PRT will affect the financial performance of a number of fields over the lifetime of production.

The total tax bill as a percentage of resources generated for Shell/Esso's Dunfin Field, for example, would go up from 70.9 per cent to 73.4 per cent.

BP's Forties Field would go up from 73.6 per cent to 77.2 per cent. Occidental's Piper Field from 71 per cent to 75 per cent. Union Oil's Heather Field from 62.5 per cent to 63.4 per cent, and Conoco's Murchison Field from 64.9 per cent to 66.3 per cent.

Several oil company chiefs have accused the Government in recent weeks of severely eroding oil industry confidence in the North Sea by bringing forward the increase in PRT. Future projects would have to be seriously re-examined, they said.

A Review of the Proposed Changes in North Sea Taxation, Department of Political Economy, Aberdeen University, £5.00.

Indices 'accepted as yardstick'

BY ERIC SHORT

THE NEW FT-Actuaries Gilt Indices have become accepted as the universal yardstick for measuring the performance of UK gilt-edged portfolios. It was emphasised in a paper presented last night to the Faculty of Actuaries meeting in Edinburgh.

Mr. George Dobbie and Mr. David Wilkie said that the old method of calculation of the 20-year index, based on only six

stocks, had shown a very limited picture of the gilt-edged market.

Now, by basing both the price and yield indices on all the stocks quoted on the gilt market, with the exception of the variable interest stocks, a complete picture of that market could be presented.

The authors discussed how the price indices should be used to

measure performance and presented a comprehensive series of tables, using both a nil tax rate applicable to pension funds and a 37 per cent rate applicable to life assurance funds.

They showed that the division of the indices into short, medium, long and irredeemable, enabled fund managers to compare sectors of the gilt market with the market as a whole.

Tolkien letter fetches £480

SOTHEBY'S yesterday held two small but interesting sales, disposing of autograph letters for £35,992 and objects of vertu for £39,233. The top price among the letters was the £300 for a collection of 30 letters from George Viscount Townshend, Lord Lieutenant of Ireland, about the state of that country in the late 18th century.

More interesting were prices of £480 for a letter by Tolkien to Naomi Mitchison, announcing the completion of The Lord of the Rings and The Silmarillion, and £280 for some letters by P. G. Wodehouse explaining the origin of the name "Jeeves".

Among the objects of vertu, a rectangular Swiss gold and enamel snuff box of the early 18th century sold for £1,100; a French gold snuff box of 1773 for £1,050; and Legault and Sons gave £100 for a silhouette of George, First Earl of Onslow by

John Field, on behalf of the National Portrait Gallery. Christie's disposed of coins for £88,280, with a very good price of £3,000 for a rare Royal

purchase. It was the first time that the National Gallery had bid at a U.S. public auction. The Gallery said that the picture was "significant addition" to its collection. Its only other work by Millet is a small painting entitled "The Whisper".

Christie's first Saturday sale at South End House, Twickenham, consisted of a collection of English furniture and a small amount of porcelain and pictures.

The most expensive item was a William and Mary oyster veneered walnut chest of drawers which fetched £3,300, while a Queen Anne walnut bureau made £1,500 and a Queen Anne black lacquer cabinet £1,600.

SALEROOM

BY ANTHONY THORNCROFT

Guelphie Order, which had been awarded to Sir Jonathan Waller in 1832. Some even rarer 12-rouble pieces, minted in platinum in 1830 and 1831, also attracted exceptional prices, going for £3,500 and £2,450 respectively.

The painting, "The Winnower", by the 19th-century French artist Jean-Francois Millet, for £1,050; and Legault and Sons gave £100 for a silhouette of George, First Earl of Onslow by

Telegraph
'bleeding
to death'
says
chairman

By Pauline Clark, Labour Staff

LORD HARTWELL, chairman and chief executive of the Daily Telegraph, yesterday warned that the newspaper was "in danger of bleeding to death" as a printers' stoppage prevented London editions from appearing for the 10th successive day.

In a letter to 3,000 staff, Lord Hartwell said that the Daily Telegraph company was the only Fleet Street newspaper which was not part of a large conglomerate. It had no other interests to come to its aid. If the stoppage continued, the ship itself will sink. Bankruptcy will ensue. The time is not very long.

Lord Hartwell urged his staff to persuade the strikers that there was no money for ransom. Talks between management and union officials representing 340 members of the National Graphical Association, broke down last week with disagreement over proposals to introduce official union representation in the newspapers' disputes procedure.

After 25 hours of talks failed to produce a solution on Thursday, the NGA chapel (union branch) declared that they would not meet again for a week.

The union, which made the dispute official a week ago, has resisted management efforts to include the NGA regional secretary in future talks over disputes between chapel and management.

Lord Hartwell said that for many months the management had got nowhere with in-house discussions to end the chaos in the composing room.

The dispute started when a small group of NGA members took action in support of a claim for more money to operate telephones and transport equipment. Other members backed copy that would normally have passed through the telephoto department, and then went on strike when management stopped their pay.

Shawcross
deplores
industrial
disputes

By Maurice Samuelson

INDUSTRIAL DISPUTES in the Press and in the motor industry were deplored yesterday by Lord Shawcross, chairman of the Press Council.

Both industries had been bedevilled by labour trouble, and the recent strikes in the newspaper industry—except that at the Daily Telegraph—had been unofficial "and the result of sheer anarchy," he said.

In the motor industry, to ask for protection against foreign imports was a "counsel of despair." The UK could produce cars of a quality and at a price fully competitive with foreigners.

"All we need is the united determination to get on with the job," Lord Shawcross said at the Lucas Press Centre in the National Exhibition Centre, Birmingham, which was being used for the first time this week by visitors to the 1978 Motor Show.

Vehicle warning

THE DEPARTMENT of Transport yesterday warned operators of insulated and refrigerated transport in the international trade that French veterinary inspectors had been instructed to refuse entry to all vehicles not conforming to the requirements of the agreement on international carriage of perishable foodstuffs.

The PLA has complained that only then release the first slice of the £35m promised to the authority in August to help pay for restructuring the labour force.

The committee has two more meetings planned for this week, after which the scheme will go to a board meeting of the authority for approval next Monday.

Sir John Cuckney, chairman of the authority, said he now hoped it would be possible to put an acceptable plan to the board. He also praised the unions for their constructive approach in the weeks of negotiations which have already taken place.

Agreement on the plan is necessary by the end of the first year of the plan, but the authority has made it clear that it wants to see more than 2,000 jobs go in the next two or three years.

Apart from the manpower issue, the draft plan lists seven areas of review: port charges; alternative job opportunities; the need for investment in the docks; trade union involvement in marketing; traffic forecasts and cost reductions.

Sir John said that without a Government-endorsed plan, access to the £35m grant, the PLA faced "a serious cash crisis which would require detailed and urgent discussions with the Government."

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Ezra issues warning
on danger to coal

BY DAVID FISHLOCK, SCIENCE EDITOR

THE BIGGEST danger to the future of the British coal industry lay in projecting demand for energy, depressed through world recession, Sir Derek Ezra, chairman of the National Coal Board, said yesterday.

It would be very serious indeed, if Britain was to fall into this trap, said Sir Derek, giving the annual Coal Science Lecture in London last night.

Sir Derek, in a joint lecture given with the directors of the Coal Board's two main research centres, argued the case for a major international collaboration to solve the industry's technical problems.

The Coal Board was spending all it could afford on research and development—£20m a year—and was now venturing into areas of development so long-term that it had to have Government assistance.

The Government had "made a good start" this year, in allocating £20m over five years towards the cost of constructing a series of large pilot plants. But it was much less than the U.S. Government, conversion and energy ment was giving, over £250m a year.

Jewellery turnover
increases by 48%

FINANCIAL TIMES REPORTER

THE jewellery trade has emerged virtually unscathed from a three-year period, in which incomes have been severely squeezed and value added tax at one time reached 25 per cent, according to a survey.

The latest ICC Business Ratio survey studied 99 leading companies from the retail, wholesaling and manufacturing industries as well as multiple jewellers and diamond merchants. In the three years to last October, total turnover rose by 48 per cent with the greatest increase in the final year, and profits increased by an average of 30 per cent.

It appeared, the report claims, that products of intrinsic and lasting value were attractive during times of economic activity.

Sales by retail jewellers had risen steadily in the mid-70s, albeit at a lower rate than inflation—while diamond sales were now running at record levels after a setback in 1974-75.

Diamond merchants were the single contributor to the jewellery exports which rose overall from £34m to £73m. The average proportion of exports to total turnover had risen from 16.3 per cent in 1974-75 to 23.1 per cent in the final year.

But this figure masked the true performance of the industry which had boosted business even more significantly. The tourist boom in the UK had increasingly provided an important slice of total sales, especially to London retailers.

In 1975-76, almost all sectors suffered a setback when value added tax rose from 8 to 25 per cent. A year later, however, the tax was reduced to 12½ per cent and the improved profitability that followed reflected better trading conditions.

Manufacturing jewellers, although still the most profitable sector, had suffered a steady fall in profitability over the three years.

Three years ago, they had a higher return on capital than the average for the trade, but now the gap had almost disappeared.

Return on capital dropped from 49.2 per cent in 1974-75 to 28.6 per cent compared with an all-company average decline from 31.2 per cent to 35.4 per cent in the same period.

But while the manufacturers were the most profitable sector in the report, diamond merchants would continue to be the fastest growing sector in the industry.

ICC Business Ratio report on the Jewellery Trade, £55.

Three Welsh companies
loaned total of £¼m

FINANCIAL TIMES REPORTER

THREE NEW COMPANIES in West Wales are receiving investment loans from the Welsh Development Agency worth a total £250,000. The money will help create several hundred jobs, boost exports and build a factory.

The biggest investment loan goes to Interlock Masonry Units of Gurnsey, which has formed a company called Pro-mason to make hollow concrete interlocking blocks which need no mortar or paint.

The £100,000 shares-and-loan deal aid from the development agency will be spent on machinery to produce an initial 900,000 blocks a year for the UK market.

"D" Cnachbuilders, a newly-formed subsidiary of a coach-hire company in Swansea, has been given an £50,000 investment loan to build a 20,000 sq ft factory for van and lorry assembly. The company hopes to cut delivery time from two months to two weeks when the new factory is in operation.

The third investment goes to Horton Chemicals, formed a year ago. The £70,000 loan will be spent on launching a new poison-free wood preservative in West Germany.

Since the Development Agency was set up in January, 1976, it has approved investments worth £10m for 115 businesses in Wales ranging from public companies to one-man concerns. The aim of the agency, funded by the Treasury, is to stimulate Welsh industry and to provide and sustain employment. Within the next three years, over 2,500 jobs will have been created.

Mortgage
limit
'raised
prices'

By Michael Cassell, Building Correspondent

ESTIMATES that average house prices had so far this year risen by about 20 per cent were likely to prove conservative, according to the Amica, Hastings and Thane Building Society.

Mr. John Porter, chairman of the society, formed through a merger three months ago, said yesterday that although he believed the housing market would become more stable, very substantial price increases had been occurring in some parts of the country.

Prices had been rising by between 20 per cent and 40 per cent during the first nine months of this year, with London, the Home Counties and the South-east registering the largest increases.

The scale of the rise was "unfortunate, but inevitable" after a long period of relative price stability since 1973.

Mr. Porter added: "I believe that the Government's announced intention to contain prices by restricting the volume of mortgage finance has proved to be counter-productive."

"People have been encouraged to go out and buy when they might not otherwise have done so, because of the pressure of demand coupled with the rise in real earnings, has pushed prices upwards."

The Amica, Hastings and Thane yesterday produced figures to demonstrate the way in which most home buyers have been able to accumulate capital because of appreciating property values.

According to a survey of the society's borrowers, home owners who bought their house 20 years ago at an average of just under £2,000 have accumulated an average capital asset of nearly £13,000.

Those who, in 1974, paid the average price of £10,000 for a £4,500 new house found its capital of over £12,500.

The Alliance Building Society housing research unit said yesterday that although up to 75 per cent of all housebuyers became involved in a chain of purchases and sellers, few experienced any problem in the sale of their factor.

A survey conducted by the Alliance shows that the time taken to exchange contracts for people in buying chains now takes an average 21 weeks. Exchange of contracts averages 10 weeks for all first-time purchasers and those not involved in chains.

Dunlop site
industrial
estate plan

By John Brennan

A £10m industrial estate is planned for 25 acres of surplus land by Dunlop Holdings' Fort Dunlop headquarters, near Birmingham.

Bagant-Samuel, the development company owned jointly by Bryan Holdings and the Samuel Properties, has won a tender to buy a 125-year lease on Dunlop's surplus land.

The developer, backed by finance from Legal and General Assurance Society, plans to build 500,000 sq ft of industrial buildings on the land. At today's prices, the development will cost £10m.

The land, close to Junction 5 of the M6, comes with planning permission for the 3m sq ft industrial estate. But Bryan Samuel, chief, hopes to start construction work on a first, speculative phase in December, will gauge letting interest before going ahead with large-scale development.

Redundancy for Clyde workers.

MORE THAN 100 workers at a ship repairing company on the Clyde coast at Greenock were told yesterday they are to be made redundant in 90 days.

The news was announced by Mr. A. Ross Belch, chairman and managing director of the recently nationalised Scottish shipbuilding company.

Between 120 and 130 workers with the Scott-Lithgow drydocks company are to lose their jobs, while the rest of the workforce of 150 will be transferred to other jobs or retained for ship-building purposes.

Mr. Belch said the company had no alternative but to make part of the workforce redundant. He added the drydock was unprofitable and that ship repairing and shipbuilding had never been more depressed since the 1890s.

Shoe orders up 4.9%

MANUFACTURERS' deliveries of footwear in the first nine months of this year were 63 per cent lower in volume than in the same period of last year, but orders during the first six months were up by 4.9 per cent over the comparable 1977 period.

British Footwear Manufacturers Federation statistics also show that exports in the first eight months of the year in terms of volume fell by 1.1 per cent, although up in value by 4.9 per cent.

The decline in imports (levelling off, with a drop in volume during the eight months of 12.7 per cent, against a year before.

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AIR CANADA



HOME NEWS

Delivered milk price to rise by 1p a pint

BY CHRISTOPHER PARKES

THE PRICE of a pint of milk delivered to the doorstep would go up to 12p on November 5, Mr. John Silkin, Minister of Agriculture said in London yesterday.

But there would be no further increases until next autumn "short of actual disaster such as a drought or a Tory Government," the Minister promised.

Almost half the rise, 3.5p a gallon, will go to the dairies which distribute the milk. They have to recoup losses made earlier this year as cover cost rises over the next 12 months.

The Milk Marketing Boards will also take a small share. The balance will be shared by farmers whose costs for feed and other expenses increase during the winter.

The Ministry of Agriculture claimed that the increase would lead to a rise of 0.8 per cent in the food price index and add only 0.2 per cent to the retail price index.

Dairy farmers had been doing quite well recently, the Minister said. The price rise, however, would not push them into "the Rolls-Royce class." He suggested that in future, they might not be doing quite so well. "I am aiming to keep them steady. To keep them in the same car."

The price of milk was last raised in January, Mr. Silkin said that a price increase had been avoided for the longest time for five years.

The Ministry said that in spite of the increase, dairy farmers' prices this year would have risen only 4 to 5 per cent while their costs had gone up about 12 per cent.

The price of 12p will apply to pasteurised milk. Homogenised, sterilised and ultra-heat treated milk will go up to 14p, while gold top, Channel Islands and South Devon milk will cost 15p a pint.

The price rise will take effect in Scotland a month later—on December 3.



Mr. JOHN SILKIN
'No Rolls for farmers'

Further housing schemes 'unwise'

BY PAUL TAYLOR

THE HEALTH and Safety Executive has told the district council for the Canvey Island area in Essex that it would be "prudent" not to approve further housing developments within one kilometre of some installations on the island.

Last night the Executive rejected suggestions that it had "banned" all new buildings in an area near the British Gas Corporation's methane plant and plants owned by Texaco and the London and Coastal company.

The Castle Point council had written to the Executive asking it for views on suggested housing developments in the area.

Last night the Executive said its reply was in keeping with the views of the lengthy investigation into possible hazards on Canvey Island published in June.

Sir Bernard Braine, Conservative MP for South-East Essex, yesterday said the Executive's comments were a "clear admission that the existing inhabitants of Canvey are at serious risk." More than 30,000 people live on Canvey Island, some of them within one kilometre of the installations.



COMPUTERS are being used by TI Accles and Pollock to test new designs for steel golf club shafts.

£3.5m aluminium deal

BRITISH ALUMINIUM has sold £3.5m of aluminium to China for delivery over the next three months.

Announcing the sale in Peking yesterday, Mr. Ronny Unger, the company's managing director, said he could not specify the type or quantity of the aluminium, but said he hoped there would be further sales to the Chinese. Mr. Unger is in China with a delegation of UK businessmen.

This is the first sale by British Aluminium in China since 1975.

Hopes rise in bid to salvage tanker

BY ROBIN REEVES

HOPES WERE rising last night that the complicated operation to try to save the crippled Greek tanker *Christos Bitas* and prevent massive oil pollution of the Welsh and Irish coasts would succeed. In spite of winds gusting at times to Force 8, the pumping of oil from the damaged tanker into the 30,000-ton British *Dragoon*, moored alongside, was being stepped up.

Captain Ray Newbury, Department of Trade co-ordinator of the anti-pollution operation at sea, said that they were beginning to feel the results of the hard work were beginning to bear fruit. The 58,000-ton *Christos Bitas* struck rocks off the Pembrokeshire coast on Thursday afternoon.

She was in better condition last night than at any time since the salvors first boarded. "By this evening it could be a sound ship," said Captain Newbury.

He refused to speculate where the vessel might be towed. This would be up to the Department of Trade and would depend upon the tanker's condition.

The *Christos Bitas* was lashed securely to the British *Dragoon* and was being watched by the frigate *Eskimo* and a flotilla of ashore detergent-spraying vessels.

Helped by a slow zig-zag tow ment of Trade has decided to tow up the Irish Sea, to maintain greater stability, it was possible salvage attempts succeed.

The Department is looking at plans to set up a permanent "dirty dock" in the UK to which stricken tankers could be towed.

A decision on this issue, or on the general organisation of the Department's anti-pollution measures, is likely to be taken after the appointment of the new anti-pollution commander, promised by the Government following the Eleni V incident earlier this year. This appointment is expected shortly.

The Government may also consider introducing a shipping separation lane scheme in the 300-mile Dover area.

While it is unlikely that Ministers will support a call from Mr. John Prescott, Labour MP for Hull East, for a compulsory pilotage scheme it is likely this incident will strengthen calls for statutory control of tankers in UK coastal waters.

A Department of Trade marine survey officer from Hull has begun investigations into the cause of the accident, and is expected to pay particular attention to the vessel's radar equipment.

Dyfed County Council and local district councils were standing by with up to 1,000 men to tackle the oil should any come ashore.

It is understood the Department of Trade has decided to tow the tanker into Milford Haven if salvage attempts succeed.

The council's bill is about £350,000.

Occidental expects gas from Piper Field next month

BY KEVIN DONE, ENERGY CORRESPONDENT

NATURAL GAS is expected to start flowing next month from the Occidental group's Piper Field in the North Sea.

The gas will give an added boost to British gas supplies from the northern North Sea. It also represents the chief success so far for the Government's tougher policy of cutting down the wasteful flaring of associated gas.

The Occidental group, which includes Getty Oil, Allied Chemicals and the Thomson Organisation, was persuaded to invest in a \$150m (£80m) gas conservation programme in return for permission to increase crude oil production from the Piper Field to 300,000 barrels a day.

The field is one of the most profitable yet developed in the North Sea.

Meanwhile, production from the group's nearby Claymore Field has received a surprising boost from the latest development well, which came on stream about three weeks ago. It is tapping a new part of the oil reservoir with a higher proportion of gas and is flowing at about 28,000 barrels of oil a day.

It has helped to push total Claymore production up to 110,000-120,000 barrels a day from 12 wells. This is equal to about 10 per cent of current UK production.

The field, which has estimated recoverable reserves of 404m barrels of oil, should reach a peak production rate of about 170,000-180,000 barrels a day. It is already performing better than expected. Production has been helped by the unexpected discovery of additional gas in the reservoir.

The latest well makes Claymore production less dependent on the Piper Field, and it reduces the supplies of Piper gas needed for pressure injection to help lift the oil from the Claymore reservoir.

Supplies of natural gas from the Piper Field to British Gas will build up to a maximum of 90m cubic feet a day. Production should reach its peak in 1978-80.

It will be transmitted along a 35-mile spur line which joins the gas trunk line leading from the Frigg Field to St. Fergus in Aberdeenshire. Associated gas from Texaco's Tartan Field will also be transmitted along this route in the early 1980s.

The Piper Field gas recovery plan will also boost production of natural gas liquids. An additional 15m barrels of propane and 6m barrels of ethane-based NGL will be produced during the life of the field. Output of liquid propane will be doubled from 5,500 to 11,000 barrels a day.

The NGL has been bought by Norsk Hydro, the Norwegian chemicals group, for use at its chemical plants at Fosgeruun in southern Norway.

The Piper Field is 100 miles north-east of Aberdeen. It is being brought back into production this week after being closed for several days to instal the new gas equipment.

Truck sales surge benefits importers

BY KENNETH GOODING

COMMERCIAL VEHICLE sales in the UK continued at a high level last month—those were nearly 28 per cent above those for the same month a year ago—but importers were getting the main benefits.

Imported trucks accounted for 27 per cent of the September market, according to the figures from the Society of Motor Manufacturers and Traders. In September last year the comparable figure was just over 20 per cent.

During the first nine months of this year commercial vehicle registrations at 199,919 were just under 18 per cent higher than in the same period last year.

But, whereas vehicles manufactured in the UK managed only a 10.2 per cent increase in registrations to 156,468 units, sales of imported commercials jumped 57.75 per cent to 43,451 units.

At the lighter end of the market, the Japanese companies have made big inroads in the nine months since the agreement that shipments of light commercial vehicles from But its sister company BL Cars, Japan to the UK this year should not exceed last year's level, pushed up sales from 33,342 to 37,356 over the same months.

Significantly, only one manufacturer seems to have experienced a fall in sales in the buoyant nine-month period. Leyland Vehicle's registrations were down from 10,629 to 10,445.

Mr. Neave apparently is not officers, the main purpose of visit is to examine ways in which progress towards some form of local self-government can be made.

His talks have included the Northern Ireland, the middle of the road, non-partisan Alliance, and the predominantly Catholic Social Democratic Party.

Mr. Neave apparently is not officers, the main purpose of visit is to examine ways in which progress towards some form of local self-government can be made.

Neave seeks opening

MR. AIREY NEAVE, the Opposition spokesman on Northern Ireland, is on a 36-hour official Unionist, the middle of the road, non-partisan Alliance, and the predominantly Catholic Social Democratic Party.

Mr. Neave apparently is not officers, the main purpose of visit is to examine ways in which progress towards some form of local self-government can be made.

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The Appointments Manager, listing on a separate sheet, any companies to whom you do not wish your applications to be forwarded.

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Chancery Division Companies Court, in the Matter of:

BY THE ORDER OF THE COURT
UNDERWRITING TRANSPORT LIMITED
No. 000212 of 1978

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LABOUR NEWS

Election dispute leaves CPSA without executive

By PHILIP BASSETT, LABOUR STAFF

BRITAIN'S largest civil service union, the Civil and Public Services Association, was left without an executive last night in a bitter dispute over electoral procedure which has publicly opened the union's deep political divisions.

All but three of the 26-strong executive refused a request from Mr. Len Lever, president, to remain as a caretaker body until a new executive had been elected.

The majority who refused were the CPSA's 1978 candidates in the union's elections in May.

Mr. Lever ruled last week that the present executive could no longer exist after a confidential report found that the moderate vice-president Mrs. Kate Losinska should have held her position at the election at the annual conference.

She lost her seat then to Mr. Peter Coleman, the Communist Broad Left candidate.

The former executive is expected to attend the union's normal executive meeting today.

Mr. Lever will again ask the 23 who refused to resign yesterday to remain, and if they refuse the meeting and subsequent meetings until the new election will not take place.

Branches will re-hold general meetings or the election, and the results of the individual ballots will be sent to the union's headquarters for scrutiny.

Mr. Ken Thomas, general secretary, said last night that he would carry on with the help of the two vice-presidents, Mrs. Losinska and Mr. Reg Williams.

A Broad Left candidate at the elections in May, to ensure that the interests of the 235,000 members were protected.

He said that the Government should not assume the burden of its internal difficulties, but that the union would weaken its position in the coming fight over pay under Stage Four.

The current dispute has its roots in a special conference called in November last year to revise the union's rules.

At the conference, though, the Right was badly defeated by the very thing it had sought to change: a block vote which threw out the proposal by 116,094 votes to 94,783.

Sparring

A less well publicised outcome of the conference, however, was a rule change which made it compulsory for branches to cast their votes at annual conferences for candidates they had nominated.

Sparring between the Left and Right was resumed at the union's annual conference in May with the Left circulating a leaflet which asserted that the moderate magazine Daylight had been funded by the Right-wing organisation Truemit.

Though the Right strenuously pointed out that most of the money had then been repaid, Mrs. Losinska admitted privately that the timing of the leaflet had gone a long way towards losing the presidential race by

an unexpectedly large majority. She also failed to retain her position as vice-president.

Elections for the executive completed the success of left-wingers, with their candidates securing 78 per cent of the votes cast for returned members.

Far-left candidates, including members of the Communist Socialist Workers' and Workers' Revolutionary parties took 13 of the 26 seats.

This week's crisis was precipitated by a confidential report from a firm of chartered accountants which acts as the union's returning officers. This found that 20 branches at the annual conference had not complied with new rules brought in at the rules revision conference in November.

The report said that had votes been cast according to rule, Mrs. Losinska would have edged in as vice-president ahead of Mr. Coleman.

Because Mr. Coleman declared vice-president did not stand in the elections for the executive, all 26 members were ruled to be dismissed. The new elections will include all the original candidates who now wish to take part again, plus Mr. Coleman.

The right wing is now expected to recoup some of the political losses it suffered at the rules revision and annual conferences by seizing the opportunity Mrs. Losinska's unexpected return to the union has given it.

ing strongly at the elections.

Nurses 15% claim for Cabinet

By Our Labour Staff

MR. DAVID ENVALS, Secretary for Social Services, told representatives of Britain's 420,000 nurses and midwives yesterday that the Cabinet would discuss their claim for a 15 per cent pay rise as a special case outside the Government's pay guidelines.

Union and management representatives presented their detailed case for giving nurses a special award to allow for the nature of their job which makes it difficult for them to seek rises through productivity drives.

The nurses are also seeking to restore their position in the earnings league which put them near the upper quartile for female workers elsewhere in the National Health Service, and outside at the time of the 1974 Belsbury award.

Mr. David Williams, assistant general secretary of the Confederation of Health Service Employees and chairman of the staff side, said yesterday that there would be no acceptance of a forward commitment as in the case of the police and firemen in their special awards last year.

The proposals are seen as being overdue from last year's phase three pay deal when a bonus-in-lieu of productivity demand was part of the nurses claim.

Phase 3 deal for ships' officers

By Nick Garnett

A PHASE THREE deal for Merchant Navy officers which falls within the period of Phase Four negotiations has been sanctioned by the Department of Employment.

The General Council of British Shippers and the four unions representing the officers are being notified by the Department that it considers the deal to be within the limits of the Government's pay policy.

Employers and the unions said that the 44,000 officers were entitled to settle under Phase Three, which technically expired at the end of July, because their last pay rise was under Phase Two.

Last year the officers, due for a Phase Two settlement in June, held back in the hope of settling at a higher figure.

They eventually agreed to a 12 per cent deal to run from the end of July - and a 12 per cent end-of-July - and a 12 per cent end-of-year deal from November.

Their annual settlement rate was allowed to November leaving the officers out of step with almost all other employees.

This year's deal consolidates pay policy developments as part of the 10 per cent. There will be further rises on an annual basis, but no redundancy payments.

The settlement was negotiated by representatives of the Merchant Navy and Airline Officers' Association, by far the largest union; the Amalgamated Union of Engineering Workers; the Radio and Electronic Officers' Union; and the Mercantile Marine Service Association.

Average earnings of officers range from £4,520 for junior engineers and fourth officers, to £10,490 for masters.

Miners' leaders demand 25%

YORKSHIRE MINERS' leaders yesterday demanded pay rises of more than 25 per cent under bonus schemes.

They called for the basic rate on which bonuses are calculated to be increased from £23.50 to £30 and for "double rises" for men away from the colliage.

They claimed the rise was needed to bring bonus rates into line with increases in basic pay.

Dockers challenge pay guidelines

By PAULINE CLARK, LABOUR STAFF

DOCKERS' leaders in Southampton will today put the "finishing touches" to a pay claim well in excess of the Government's guidelines.

The claim for a large increase in basic rates is expected to follow closely a 20 per cent demand lodged last week by 2,000 Hull dockers in the first significant challenge to the 5 per cent limit by Britain's dock workers.

Hull dockers yesterday began an overtime ban in support of their claim although no formal offer has been made by the employers. Their earlier demand for a substantial increase has already been rejected by the employers who have indicated that any settlement must be within the guidelines.

In both cases, most of the dockers are employed by the British Transport Docks Board which has made it clear that it intends to resist any claim for more than a straight 5 per cent increase. It employs about 1,700 dockers in Hull and about 2,000 in Southampton, out of a total national labour force of just over 6,000.

The Hull and Southampton dockers have emphasised their frustration over pay by drawing up claims more than two months ahead of their January settlement date.

Shop stewards in Hull said yesterday they would step up their action in January if a settlement had not been reached by then.

Offshore caterers recognise unions

ONE of the largest catering firms, employing 500 workers, on 11 North Sea offshore installations agreed in principle yesterday to recognise trade unions.

A full agreement specifying terms conditions and installations to be covered will be discussed next month by the company, Scott Catering and Offshore Services, Aberdeen, and the two unions.

The agreement was reached after a threat of industrial action by the unions the Transport and General Workers' Union and National Union of Seamen, if their recognition demands were not met by lunch time yesterday.

The company had under its contract to provide catering for the two unions. Aberdeen district secretary of the TGWU, said the agreement was an immediate answer to the claim, an agreement in principle of recognition and negotiating rights.

Claiming half the company's 500 work force there, the unions will negotiate an initial claim for full rights for all 11 installations.

Their strongest presence is at the Ninian and Forties Fields. Mr. Edgars to build membership in other fields can be expected between now and November.

Hauliers plan to black cut-price competitors

A NINE-POINT charter aimed at ridding the haulage industry of cut-price clearing house operators - some without their own transport - was adopted by 2,000 lorry drivers who met at Hull yesterday.

Mr. Hugh Marshall, Hull branch secretary of the Transport and General Workers' Union, which had 1,800 members at the meeting, said they were trying to get the charter adopted throughout the country in an attempt to safeguard jobs and codes of practice.

They had evidence, he said, that the activities of cut-price clearing houses were forcing established companies out of business, undermining others and putting jobs in jeopardy.

The nine points include a request to almost 100 haulage companies in the Hull area - with which the unions have agreements - to establish their own clearing houses for excess and return loads.

Companies using cut-price clearing houses were forcing the support of dockers to enforce blacking.

The charter also includes daily distance and starting times clauses, insistence on proper rates of pay for drivers, the blacking of all clearing houses without transport and also of established companies which dispossess of their vehicles and let their work out to sub-contractors.

A company wage register is also to be established.

Hairdressers win new minimum wage rates

NEW MINIMUM wage rates for about 135,000 workers employed in hairdressing were set yesterday by the industry's wages council.

The increases generally vary between about 13 and 21 per cent. The new minimum for most groups of workers is still £18.50 in £20 and in London far short of the £24.50 from £17.50 to £22.

The rate for apprentices outside London is being raised from £15.50 to £17.50.

Battery plant workers out

EIGHT HUNDRED workers went on strike at the Wolverhampton Every Ready battery plant yesterday after the suspension of ten women in a row over manning

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12
LOMBARD

Pay without guidelines

BY PETER RIDDELL

SPECULATIVE games of the "what if..." variety are a pleasant self-indulgent way to pass autumn and winter evenings. There is certainly no shortage of topics from which to choose. There is no doubt that an election had been held earlier this month to what pay rises would be in the absence of an official limit. The Ford dispute might have turned out very differently if there had been an October election though the pay question is highly uncertain. It is, however, at least arguable that the rate of increase in earnings in the year to next July would be little higher, and possibly lower, without a pay limit than now looks likely with the policy under severe strain. This is not stated as a forecast, or as Mr. Hattersley would prefer, a fact, but it is not merely an unsupported guess.

Key influence

There is obviously no hard and fast economic model of the determination of money wages in the short-term. It would be wrong to ignore the impact of institutional influences such as the monopoly power of individual trade unions or, for example, the election of Mr. Mrs. Evans and his determination to establish his independence—as well as pressures pent-up under earlier rounds of pay policy. But there are also several specific economic influences on pay. On one side, it is possible to point to the underlying impact on expectations of the slackening in the rate of price inflation and the sharp rise in living standards of the last 12 months.

Employers are also not operating in a vacuum since, at least in the private sector, a key influence is the rate of increase in the cost of living. Recent official figures have shown how profit margins have been squeezed this year and the corporate sector has had a large financial deficit. Looked at another way, industry does not appear to have a large cushion of liquidity to protect it from large wage increases, as it had in early 1974.

There are drawbacks to this analysis: it is, for example, arguable that it is precisely when companies are financially most stretched that they will not want to fight pay claims and will concede more rapidly. Differences in liquidity may allow some companies to pay large wage increases, and force up earnings generally, while companies with

a dominant market position may be able to pass on rises in the form of higher prices.

The prospects were recently examined in a somewhat different way by the London Business School in its regular Economic Outlook. The school concentrated on the relationship between the exchange rate, world prices and exchange rates. It concluded that while last year UK earnings levels were well below normal relative to the world price level and some increase could be justified, this is no longer the case. At present exchange rates, the world price level is likely to exercise a restraining influence upon wage increases; companies are unlikely to be able to afford to pay more this year than the underlying world inflation rate plus whatever productivity increases are actually achieved. As long as the exchange rate remains firm this might in practice restrict the rise in earnings to about 11 to 12 per cent.

This is a plausible, though not a conclusive theory, especially as these constraints apply only to the private sector and the lead has often come from public sector settlements. Cash limits can, of course, exercise an influence, though the monetary targets, they are not in themselves a workable instrument of pay policy in the short-term. It is unrealistic to believe that cash limits and monetary guidelines will directly limit pay settlements in face of union bargaining power unless other economic factors are also working towards moderation, as they are at present. So it is possible that without rigid guidelines the rise in earnings below the 14 to 16 per cent rise of 1977-78 and perhaps low enough to ensure a continuation of single figure price inflation, as well as allowing some flexibility in negotiations.

Seen as defeat

The problem with the Government's approach has been that it is likely to bring the worst of both worlds. The policy is unlikely to keep the rise in earnings down to the target of 7 per cent and the actual outcome may not be more than, say, a rise of 10 to 12 per cent. But this will be seen as a defeat for the authority of government and a strengthening of union power with all the undesirable appendages of incomes policy being perpetuated. Just as with exchange rates, politicians and officials would be better advised to resist the temptation to try to control market pressures all the time.

PROBLEMS ASSOCIATED with change have dominated the minds of most people in the film and television industries, over the past 10 years. Some nine years ago, one writer on the business was saying that the real dilemma for decision-makers was whether to invest in the new technologies or risk a serious loss through backing the wrong horse, or worse, to wait and see while competitors coolly cleaned up the market.

The observations were mine. In this column, and it came as a slight shock to read someone else reasoning them last week in a forthcoming article about the TV rental business. As is often the case in the prediction game, history has proved many of my forecasts to be true but the timing to be slightly wrong. Some companies did back the wrong horse, such as Rank within the EVR videocassette system (based on film, not videotape); and Decca in its support for the TeV video disc player. Others did leave it too late, perhaps, as witness the unassailable lead in videocassette equipment now established by Sony and JVC and the failure of the Philips system in North America partly because it arrived there too late.

The videocassette revolution is now with us, although nine years ago many critics doubted it would even happen. But it has taken about three to four years longer than at least I expected. The next chapter in the revolution, again behind predicted schedule but defying those who doubted its arrival at all, is the commercial launch of the Philips/MCA video disc player. This will take place later this year around the 15th December, in one selected area in the U.S., to be followed in 1979 with national marketing. It is likely that the UK will be the next country on the marketing schedule, some 14 months from now.

There is now less doubt in the minds of those in the business as to what exactly is going to happen in the near future. The guessing element is now a minor factor. Videocassette equipment is a growth business—U.S. video imports for the first half of 1978 were 238,137 units, a 289 per cent rise on the first-half of 1977. Philips claims that demand for its own VCR system (largely European) has outstripped supply in the same period.

A symptom of the confidence in this market comes with the establishment by MCA and

International Video Systems of a Middle East videocassette distribution company, United Video International. This will draw on the huge MCA/Universal stockpile of feature films and television programmes. For the record, another nine years hence, I doubt if the market for pre-programmed material like this will survive on video-

cassettes, with mass-produced video disc offering a cheaper and more convenient alternative. This will leave the videocassette as mainly a recording medium, and also as a distribution medium for minority interest programmes where the number of copies involved (for example, under 5,000) would be uneconomic on video discs.

Still caught unconformably in the middle is the film industry. To some extent, it is coming to terms with video, at least in the sponsored film industry. Many of the production companies now offer video production as well, and most

are supplying clients at some time or another with videocassette copies of films along with the 16 mm and 8 mm prints. Likewise most, if not all, of the film processing laboratories have opened video duplicating and/or videotape transfer services. The latest entry has been Kay Laboratories, which have just started a tape-to-film service. Of

the standardisation battle over the videotape systems is setting down to a straight fight between Sony and JVC. Philips continues the battle with their own system (and a new one in prospect). Even Grundig is joining the fray with an incompatible version of the Philips system—the Grundig SVR—which yields 4 hours playing time per cassette and is claimed by them to have various quality advantages over the rivals. It is better, perhaps, not even to mention BASF's LVR (Longitudinal Video Recording) which still lurks near commercial reality with the promise of even greater tape economy.

A then, is, however, emerging. Almost nine years ago in this column, I only speculated about it—"the ultimate dream is large-screen domestic television with all manner of visual services controlled by telephone dialling." The large screen is a long way off, but the rest has arrived. Yet it now goes even deeper than that. The emerging theme is the control of visual information—the ability to take pictures, still or moving, and by reducing them to electronic signals to allow almost infinite manipulation of those pictures. We are witnessing it already with videodata and teletext and even with the fixed images of

the motion picture film as the become involved in the chase with the new tape-to-film transfer processes.

One novel example of the trend appears in a range of products recently introduced by new British company, Hampton Video Services. With this plug-in units, television pictures can be processed to yield information in forms other than mere light and shade—such as automatic measurements of dimensions in the subject, rates of brightness intensity, any point in the scene, direct responses to movement (such as articles on a conveyor) or artificial colouring according to the brightness of tones in the picture.

Perhaps the next fertile area for speculation about the future will be found by looking at other ideas worthy of serious reflection. For a starter, I see the zootrope, one of the earliest methods of viewing moving pictures, on a strip of paper, the paper was loaded inside a revolving drum, viewed through slots in a drum. It is extremely easy to mass produce even on a boom produced in the film world.

Hastings-Bass has chance of two Warwick winners

WILLIAM HASTINGS-BASS, who will now definitely win the 1000 Guinea, looks set for a first and last race double at Warwick today.

Pluvial represents him in the opener, Division 1 of the Market Square Maiden Stakes, and Adoriti—a close relation—goes for the second division of the same race.

Although Pluvial, a daughter of that prolific Vilmorin mare, Pelting, was a disappointment at Ascot last time out—she finished third of nine behind Celtic Halo and Hadon in the Michael Stobbs Stakes—it could be that she had an excuse.

Not only did she blow a good deal after the race, but it was also found that she had a rather bad white blood cell count on her return to Newmarket.

Provided that she can overcome a bad draw and reproduce her encouraging homework with Greenland Park on this, her third race course appearance, Pluvial should prove up to giving that hitherto disappointing stallion, Habbat, his second juvenile winner.

For the dancer, I turn to another who has shown a good deal at home. Explosiva, a half-sister to the champion Canadian grass runner-up to Quibbling Streak in a 3,000 event at York before disappointing badly at Wolverhampton.

Explosiva is another well-bred sort: being by Expeditious out of Whispering Willow, a half-sister to the champion Canadian grass runner-up to Quibbling Streak in a 3,000 event at York before disappointing badly at Wolverhampton.

In contrast to Pluvial, Adoriti, another daughter of Habbat, has been having a busy time and this will be her sixth attempt to get off the mark.

Adoriti's rider did not have the ride on the Hastings-Bass filly at Linsfield recently but he had plenty of time to weigh her up for it was only in the final 100 yards that he brought her down with a late run to deprive Adoriti of the spoils.

I expect him to try to make all the running on Adoriti and expect Chukarova's half-brother, Jakarova, providing the chief threat.

Two other possible winners are Civic Commotion and Braemore. The Neil Adam-trained Civic Commotion, a grey daughter of Town Crier, has shown little since running out an easy winner of a maiden event at Folkestone last season. I shall be disappointed if he cannot win the Prince Rupert Handicap off Set 4th.

Chris Thornton, who saddles Braemore for the winner, could also turn out a winner nearer home at Redcar. There he saddles Never Say Guey for the Hanning Stakes Handicap, a final declaration stage with drawal from Warwick's seller should win the Airy Hill Selling Stakes.

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RACING

BY DOMINIC WIGAN

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BBC 1
6.40-7.55 am Open University (Ultra High Frequency only). 8.30 For Schools. 12.45 am News. 1.00 Pebble Mill. 1.45 How Do You Do? 3.00 You and We. 3.14 For Schools. 3.30 Calf. 3.40 Ch. 3.55 Regional News for England (except London). 3.55 Play School. 4.30 Fells the Cat. 4.45 Jackanory. 4.40 The Space Sentinels. 5.00 John Craven's Newsround. 5.10 The Story Beneath the Sands.

BBC 2
11.00 am Play Schools (as BBC1). 2.30 pm Tearing Life. 3.00 pm Film as Evidence. 3.30 pm The Living. 5.20 pm Open University. 7.00 pm Dancin'. 7.25 pm News on 2 Headlines. 7.30 pm One Man and His Dog. 8.00 pm More Time! 8.30 Roots of England. 9.00 Roots. 10.35 Floodlit Rugby League for the BBC2 Trophy. 11.20 pm Late News on 2. 11.30 The Old Grey Whistle Test.

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ENTERTAINMENT GUIDE

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OPERA & BALLET
COLISEUM. 8.00. 8.30. 9.00. 9.30. 10.00. 10.30. 11.00. 11.30. 12.00. 12.30. 1.00. 1.30. 2.00. 2.30. 3.00. 3.30. 4.00. 4.30. 5.00. 5.30. 6.00. 6.30. 7.00. 7.30. 8.00. 8.30. 9.00. 9.30. 10.00. 10.30. 11.00. 11.30. 12.00. 12.30. 1.00. 1.30. 2.00. 2.30. 3.00. 3.30. 4.00. 4.30. 5.00. 5.30. 6.00. 6.30. 7.00. 7.30. 8.00. 8.30. 9.00. 9.30. 10.00. 10.30. 11.00. 11.30. 12.00. 12.30. 1.00. 1.30. 2.00. 2.30. 3.00. 3.30. 4.00. 4.30. 5.00. 5.30. 6.00. 6.30. 7.00. 7.30. 8.00. 8.30. 9.00. 9.30. 10.00. 10.30. 11.00. 11.30. 12.00. 12.30. 1.00. 1.30. 2.00. 2.30. 3.00. 3.30. 4.00. 4.30. 5.00. 5.30. 6.00. 6.30. 7.00. 7.30. 8.00. 8.30. 9.00. 9.30. 10.00. 10.30. 11.00. 11.30. 12.00. 12.30. 1.00. 1.30. 2.00. 2.30. 3.00. 3.30. 4.00. 4.30. 5.00. 5.30

The Management Page

EDITED BY CHRISTOPHER LORENZ

Robert Graham reports on how the new head of INI is attempting to rationalise his disparate State leviathan

Grasping Spain's State-owned bull by the horns

UNTIL Spring this year Jose Miguel de la Rica was a successful businessman whose sole experience was in the private sector. Outside the northern industrial region of Bilbao—where he had made his reputation, mainly in the domestic appliance field—he was a little known figure.

Only those who knew him well believed he had the ability and stature to cope with the awesome task of taking over the presidency of INI, Spain's state holding company, at a critical stage in its development.

He accepted the appointment in May—with some misgivings. His task has been to steer INI away from its old position as an instrument of state interventionism (of the most paternalistic kind) to being a modern holding company in a market orientated economy. Thus he has had both to break with the past yet come to terms with the intricate mixture of socio-political-economic motives that have led INI since its creation in 1941 to become involved in virtually every sector of the economy, to a greater or lesser degree. INI directly controls 67 companies, and indirectly a further 200, in sectors ranging from aerospace through steel and shipbuilding, to milk production.

From the start Mr. de la Rica, clearly influenced by his experience in the private sector, has adopted a firm market approach to INI's activities. This has led him to lay emphasis on three main points: consolidation of INI as a holding company; improving the quality and

the style of management; and isolating those areas of investment which should be the interest of a state holding company.

According to Mr. de la Rica, INI could no longer afford to operate as it had in the past. The central management of INI acted as a form of umbrella for what were effectively a series of uncoordinated activities. "There were companies whose labour, financial, marketing and technical policies differed widely one from the other, with little coordination or feeling that they were really part of INI," he says. As a result Mr. de la Rica has now drawn up common criteria so that INI companies adopt a much greater degree of uniformity, especially in budgeting procedures and labour policy. This in turn has led to a greater interchange of information among the INI companies.

Priority

More immediately obvious have been the changes begun in the style and quality of management. As a first priority Mr. de la Rica has set out to reduce the unwieldy size of the boards of INI companies. Currently INI has some 850 persons serving on the boards of its directly controlled companies, and a further 3,000 on those of companies it controls indirectly.

Often these boards have contained between 22 and 34 members, many of whom pulled little, if any, weight



Jose Miguel de la Rica, president of INI

This reflects the old Francoist policy of allowing senior civil servants or the military to hold such posts as sinecures, to say nothing of more direct political postings of former ministers. Mr. de la Rica intends to limit the size of boards in future to between 10 and 12 members. This will mean that at least a third of the existing board members will be pruned, and perhaps more in view of his other intention of introducing better qualified people and placing a maximum age limit for members of the board.

While recognising that INI is a government institution subject to its share of bureaucracy, Mr. de la Rica has begun to cut through red tape. More important, he has begun to break down the old practice of pyramidal responsibility: decisions, often quite trivial ones, had to be taken at the highest level simply because individual responsibility



Two models of the Seat 128—the 1,200 cc and the 1,430 cc. INI has a major stake in the company.



Rodriguez Sahagun, Minister of Industry

where he would like to reduce INI's presence. This is especially the case of the motor industry where INI holds important stakes in both saloon car production (Seat) and in light and heavy commercial vehicles (Mevosa and Enasa). He has been instrumental in instituting discussions with Fiat, which already has a 36 per cent stake in Seat, to buy out INI's own 34 per cent interest. Similar discussions have begun with Daimler Benz over Mevosa, and at least three multinational groups over INI's share in Enasa.

Handicap

The major handicap in all these innovations is the lack of a clearly defined government view of INI's role. For all its talk about placing INI to operate in a market economy, the government still basically regards INI as an instrument of state—no matter what Mr. de la Rica would like to do.

The new INI leadership is also handicapped by the relationship the Minister of Industry, Rodriguez Sahagun, feels his ministry ought to have with INI. He regards INI as under his tutelage, so weakening the concept of establishing INI as a more independent institution. While this means that INI will continue to be saddled with some involvement which is socio-economic and political, Mr. de la Rica hopes that a streamlined INI has a better chance of coping with this dual role.

the INI-controlled steel concern, Ensidesa, which will be playing an increasingly larger role in the steel sector, and he has just recruited another top executive to take over the development of INI's involvement in the electronics sector.

Attention

The electronics sector is one of the areas which Mr. de la Rica has singled out for special attention. "We must become more involved in the electronics field," he says. He also considers that INI should now concentrate on developing data processing, defence industries—a term currently covering warships, weapons and some electronics—as well as companies associated with regional development (especially agri-business and marketing concerns).

Until now INI has had no such investment strategy and is

well behind its European counterparts in promoting Spanish involvement in the fast developing fields of data processing and electronics in general. As for the defence industries—almost entirely controlled by INI companies—these are recognised to have been inefficiently run and poorly utilised. This was largely because the decisions were made by the military with little understanding of business and industry, and whose incompetence was protected by the blanket of secrecy that surrounds all Spanish defence establishments.

Though a delicate operation, the ultimate aim is to introduce more civilians into the management of the defence industries. At the same time Mr. de la Rica believes INI should take advantage of the potential in development of the defence industries.

"We have a good market here

Dangling a tax relief carrot in the Dutch Co-op arena

BY ROBERT OAKESHOTT

RELIEF from capital gains tax for those owners of companies who sell to their workforces, will be the most striking recommendation in a report on Dutch workers' co-ops which will almost certainly be published in the next month or so.

The report was commissioned by the last Dutch, social democratic, Government in early 1977 from the existing Dutch Federation of Workers' Co-ops, The Association van Bedrijven op Coöperatieve Grondslag (ABC).

The report will, of course, contain a wide range of other recommendations: about the optimum legal form of workers' co-ops, about the need for co-op members to be treated as normal employees in relation to the country's social insurance and welfare arrangements and, perhaps most important in the long term, about ways in which these enterprises can strengthen their management and thus their credit worthiness and more general credibility with the Dutch banks and the Dutch public. But in the short term it is the recommendation for capital gains tax relief when an enterprise is sold to its workforce and transformed into a co-op which is likely to attract the most attention both in the Netherlands and elsewhere.

The issue of this tax relief within the Netherlands is by no means academic. At least two building enterprises in small and medium sized category—the larger of which, Stordmans of Tilburg, employs around 150, people—have reached the stage in considering whether to convert themselves into co-ops. In discussions with the Government on what their tax liabilities would be.

the belief that the Government may turn out to be something of a "soft touch" when it comes to a decision about capital gains tax, liability. In these circumstances, that is because of an ad hoc official decision to excuse liability, when a fairly substantial Dutch building and civil engineering enterprise (its 1977 turnover was Fls 108m—roughly £25m) was sold to its workforce and converted into a co-op in March 1976.

The enterprise, a private company owned by the Moes family, which converted itself into Co-op Bouwbedrijf H. Moes b.v., was sold at the time when relief from capital gains tax was granted, that its circumstances had been judged to be special. And it was put about by the authorities that the Moes case should not and would not be treated as a precedent.

All the same it is easy to see why the owners of Dutch private companies which are considering conversion now see the chance of avoiding capital gains tax if they sell out to their workforces. It is easy to see too why the drafters of the forthcoming report on Dutch workers' co-ops believe that in the Government on what their tax liabilities would be.

The chances of at least one conversion in the building and civil engineering sector next year are probably better than even. That is partly because the pioneer enterprise in this category, the Moes Co-op based on Zwolle in central Holland, is giving visitors—and it has many—a cautiously optimistic account of its experience over the two and a half years since its conversion. Profits have improved. And, though not spectacular, the improvement has been such that the co-op now expects that by the end of this year it will have repaid the Fls 1m loan from the Moes family which helped the purchase to take place in the first place. Under the terms of the loan, agreement repayment was to have been over five years. So the results since conversion have evidently been no worse than expected.

Improvement

In fact they have been a good deal better. According to the Co-op's chief executive and managing director, Ir. van der Graaf, there was a substantial improvement in the enterprise's net profits between 1976 and 1977 if account is taken of tax losses from the former private company which were carried forward into the Co-op's first year. Allowing for that adjustment, the results improved, according to Ir. van der Graaf, from a break-even position in 1976 to a post tax profit of Fl 800,000 in 1977. And for the 12 months to end December he now expects that the corresponding figure will be Fl 2m.

A good deal of the current interest in possible conversion among building and civil engineering companies, or so he believes, stems from the fact that there is a high incidence of losses and no very convincing prospect of converting them to profits at an early date.

Ir. van der Graaf believes that the improved performance of the Co-op is largely related to manpower budgets and labour

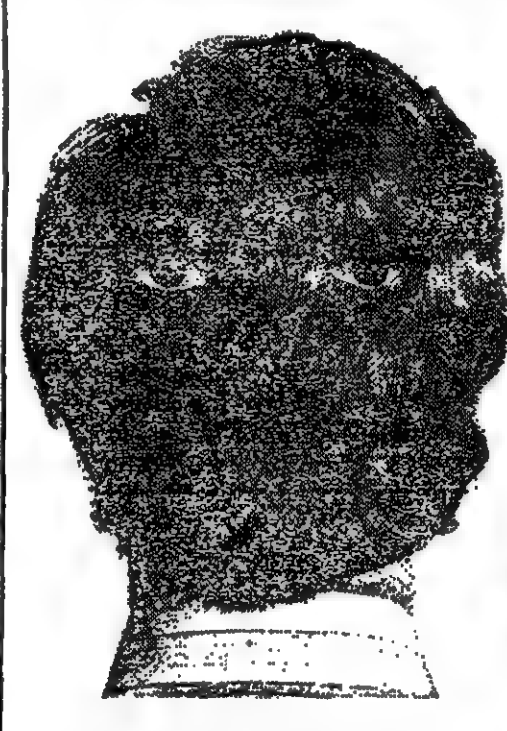
productivity. And the most important underlying factor behind that was, in his view, the slacker condition of the labour market. Nevertheless, he also expressed his belief that a greater solidarity between blue collar workers and management was beginning to develop in the Co-op. He also emphasised that the trade unions, which had been early supporters of the experiment, remained very much behind it. Greater solidarity inside the enterprise and the absence of trade union hostility might, he thought, explain the Co-op's comparative improvement vis-à-vis its competitors.

In any event and partly because of this comparatively successful experience by the Moes co-op since its conversion, it is the building and civil engineering industry which offers the brightest prospect of some significant expansion in Dutch workers' co-ops over the next few years. On the other hand it has to be recognised that whatever its potential, the sector in the Netherlands, as in the UK, is still very small: a total of 17 enterprises are currently affiliated to the ABC with a combined annual turnover well below £50m and a labour force of less than 2,000. It is probably also true that the present "centre right" government in Holland is somewhat less enthusiastic about workers' co-ops than its predecessor.

All the same there is clearly a fair chance that a combination of low profitability plus an exemption from capital gains tax liability, especially if that is formally granted, would induce a significant number of owners of conventional companies to think seriously about selling to their workforces and converting into workers' co-ops. It could happen in particular that private companies faced with a "successor" problem would start considering the workers' co-op possibility very seriously indeed.

Back in the UK capital gains

tax relief for the owners of companies which are sold to their workforces and converted into co-ops, was in fact one among a series of amendments to this year's Finance Bill which received backing from all three main parties in the House of Commons, but which was never debated because of pressure of time. Moreover there are at least a handful of small and medium sized UK companies which are approaching a succession problem and which are known to be toying with the idea of a co-op solution.



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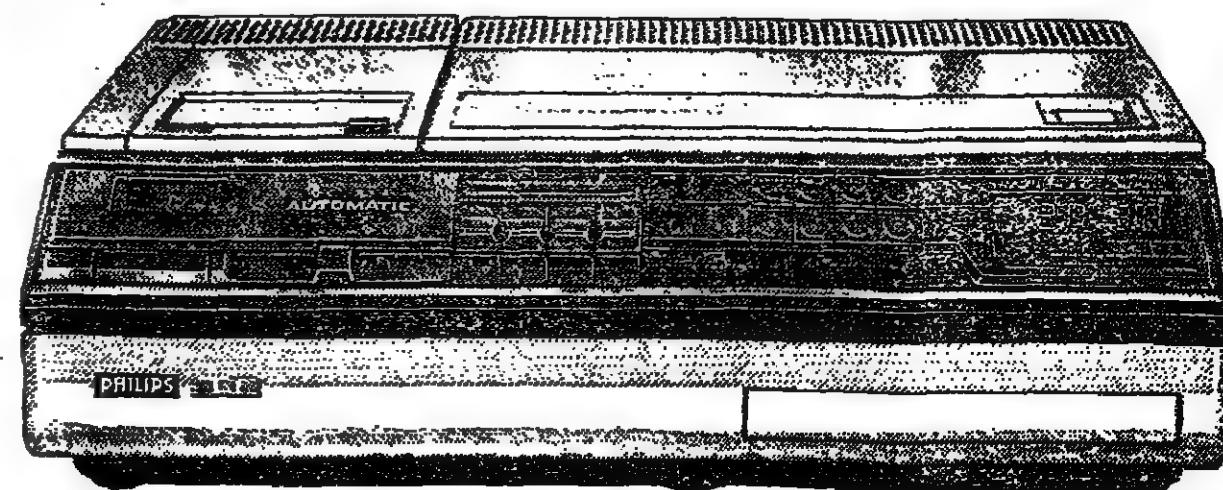
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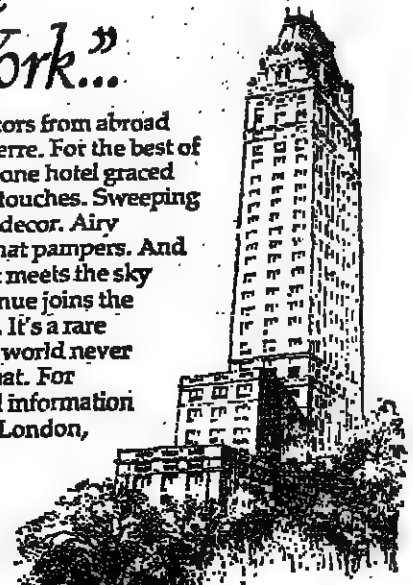
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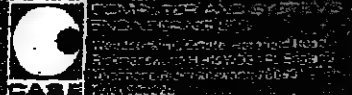


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Business courses

Management Skills for Supervisors, AMR International, London, November 6-8, at the Royal Lancaster Hotel. Fees £525.00. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2.

Project Appraisal: Exploiting New Market Opportunities, London Business School, November 6-10. Fee £325. Details from London Business School, Sussex Place, Regent's Park, London NW1.

The Skills of Supplier Selection and Negotiation, P.E.L. November 9 at Clarendon Hotel, Leamington Spa, Midlands. Fee £60. Details from Purchasing Economics Limited, Pel House, 35 Station Square, Petts Wood, Kent.

Product Liability, B.R.G. (London) Limited, December 2, Place, London WC1.

at Royal Lancaster Hotel, London. Fee £75.00 plus £6.00 VAT. Details from Risk Research Group (London) Limited, Bridge House, 181, Queen Victoria Street, London EC4.

National Energy Managers' Courses, British Gas School of Fuel Management, Wharf Lane, Solihull, West Midlands. Fee £165. November 27-December 1. Details from Department of Energy, Box 1885, Thames House South, Millbank, London SW1.

Disclosure of Financial Information to Employees, ICMA, at the Cafe Royal, 68 Regent Street, London W1. November 14. Fee £54.00 members, £64.80 non-members. Details from IFM, Central House, Upper Woburn

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHODTERS

PLASTICS

Search for better forming method

CONVENTIONAL injection moulding procedures for thermoplastic materials are confined to those mouldings which are relatively thin and which have no large changes in section. Mould design is often made more difficult because of a need to ensure relative uniform section thickness to enable accurate and sound mouldings to be produced. As section thickness increases, moulding cycle time rapidly rises and injection moulding is seldom economic with material thicknesses in excess of 3 mm.

Many possible applications of thermoplastic materials are ruled out because of the limitations imposed by injection moulding and processes which can extend the use of such materials are being sought.

Increasing attention is being paid, particularly in the U.S., to rapid production of thermoplastic products by solid phase or melt phase compression forming. In these processes, thermoplastic sheet material is formed in heated tools to produce finished mouldings.

MATERIALS

Stronger when hot

MARKETING has started in Britain of Aerolite carbon fibre/carbon composite materials developed in a joint programme between Le Carbone-Lorrain and SMI Aerospace. They are built up on the basis of a high modulus carbon fibre preform used as the reinforcement and matrix of pyrolytic carbon.

Several methods are used to densify the fibres. One of these is chemical vapour deposition, or CVD, in which methane or some other gaseous hydrocarbon is decomposed in situ around the reinforcing fibres. The deposited blanks can be graphitised at temperatures above 2,500 degrees C.

To CVD can be added impregnation with furanic resin or pitch followed by graphitisation. Forging of the blanks consists of applying unidirectional pressure at a temperature higher than 2,500 degrees C.

Applications are anywhere a user needs particularly high resistance to thermal shock, abrasion-resistance etc., but cannot accept a weight penalty. One is in aircraft braking systems with temperatures up to 1,300 degrees C and very low wear on rubbing surfaces.

One remarkable property of the materials is that their mechanical characteristics are double at 2,500 degrees C compared with values at ambient.

Le Carbone-Lorrain, BP No. 31, 41 rue Jean Jaurès 92231 Gennevilliers, France.

NORTH SEA OIL

Testing a sub-sea system

COMEX SEAL has started the practical testing of the newly designed subsea wellhead installation and maintenance system (SWIMS) from the semi-submersible drilling rig Kingsnorth U.K., approximately 10 miles off the coast of Aberdeen.

The tests are expected to last in the region of 10 days and will be attended by engineering representatives of oil companies. The system incorporates a dual bore riser developed by Comex Seal which not only installs the tree assembly but also provides a tie back tool for completion and workover operations on high pressure oil gas wells.

The system is controlled and monitored from a console on the surface facilities. Comex Seal U.K. Nord Centre, York Place, Aberdeen. 0234 572064.

CONSTRUCTION

Aluminium formwork

THE COST, availability and transportation of timber, for use as formwork in the British building industry, are creating growing problems for contractors. One alternative system — lightweight aluminium extruded beams with a channel designed to hold replaceable timber strips — has, however, been in existence in North America for some seven years.

The formwork system, suitable for wall forming, decking and flying forms, is called Alumina, and has now been launched in the UK by GKN Mills Building Services, Winchester House, 33/35 Uxbridge Road, Ealing, London W5 5SE (01-867 3085).

The beam is extruded from a special aluminium alloy developed by Alumina Systems Inc. of Toronto, in conjunction with Alcan, Canada.

One beam, weighing less than 6kg to a metre has a span capability equivalent to a "ten-by-four" timber.

These beams can be used with frames, system support or standard props and, because of their strength-to-weight ratio, they allow larger spans requiring fewer props.

Used as wallforms, the beams are up to 40 per cent lighter than timber/steel equivalents and can be speedily and accurately assembled, says the company, in any shape or size. Thus, the cutting, wastage and skilful assembly associated with structural timbers is eliminated.

Although it has taken the company exactly a year to complete its agreement with the Canadians to introduce the product in the UK market, the system has been undergoing

in conjunction with former Seal shareholders. The practical tests involve the sinking and cementing of a 100 foot stump into the seabed by the Kingsnorth U.K. Then, 25 engineers and technicians will install a dummy Christmas tree and perform guidelineless re-entry, workover and function tests utilising newly developed tools.

The tests are expected to last in the region of 10 days and will be attended by engineering representatives of oil companies. The system incorporates a dual bore riser developed by Comex Seal which not only installs the tree assembly but also provides a tie back tool for completion and workover operations on high pressure oil gas wells.

The system is controlled and monitored from a console on the surface facilities. Comex Seal U.K. Nord Centre, York Place, Aberdeen. 0234 572064.

Detects leaks in pipelines

WHEN LOCATING leaks in oil, gas and other lines, it has often been necessary to carry out progressive cutting, capping and re-testing. These disruptions can be avoided by using a service offered by the General Descaling Company, Relford Road, Workson, Notts S80 2PY (Workson 2211/6).

The service is said to be based on an "intelligent" pig which is inserted in lines from 6-inch diameter upwards, through the test end, and propelled by water pumping to a preselected position. The pig is then statically pres-

sured and acts as a seal between two adjoining lengths. In the section containing the leak there will be a pressure reduction.

The battery-powered pig measures the differential and transmits a leak-direction signal that identifies the section containing the leak. At the next position, another measurement is taken with the line under pressure. The leak will lie between the two positions showing opposite leak-direction signals.

As long as there is a flow from a leak, says the company, it will be located to within 1/10 of 1 per cent of the pipe length. The size of the leak can also be determined.

Because of the short search time, detection costs and consequential delays are minimised — leaks that would take months to find by current methods can now be pinpointed in a matter of days.

Easy access to roofs

CHIMNEY STACKS, dormer windows and sloping roofs have all inhibited the use of scaffolding for repair jobs, but there is now a lightweight, portable unit which has been designed to cope with the problems of gaining access to protruding roof objects.

Known as the "Readyseal", the scaffold unit weighs only 32 lbs complete, and comes from Ready Scaffolding, 2a Meadow Road, Sutton, Surrey (01-442 4441).

It is supplied with equipment called Clinometer, which is used to measure the angle of the roof to be worked on. Taking the numbered reading from this, the operator then first adjusts the numbered uprights and leg sections of the unit to the required settings while at ground level.

The complete unit is then carried to the working area on the roof and erected in position with the specially developed ladder placed in position. This unit is also adaptable to any roof and can be raised, giving complete stability to the unit.

Boards supplied with the unit are added and a working platform, measuring four feet by two feet six inches, is then created. This can hold loads of up to five cwt.

The company says that the system can easily be extended by adding more units for use in combination. Two units erected side by side give complete working access to dormer windows and side chimney stacks. Four units used in combination will give complete all-round access to centre chimney stacks.

To prevent bricks, mortar or tools from being accidentally knocked to the ground there is a safety skirting made of Dardoon synthetic canvas which gives added safety to each unit.

LAING

for tomorrow's
BUILDING, CIVIL
& INDUSTRIAL
ENGINEERING

COMPUTING

Eyestrain and the display

ALTHOUGH many of the original claims that prolonged work with VDU's presents a health hazard have not been substantiated, or are being dismissed as trivial, some areas of doubt remain—including effects on existing sight problems, and the general ergonomic aspect of this type of operation.

The Post Office is conducting a five-year study of visual effects, involving checks on 450 operators and a control group of similar size. But results will not be available till 1982.

The Ergonomics Society, working with the Applied Vision Association, is to hold a one-day conference on "Eyestrain and VDU's" on December 15 at Loughborough University of Technology.

Computer users and systems designers, health and safety personnel and union representatives will find the event of interest. Further details from TFM Stewart, Department of Human Sciences, University of Technology, Loughborough, Leics. LE11 3TU.

PROCESSING

Viscous fluid pump

DESIGNED particularly for higher viscosity fluids, or for the dispensing of large volumes of oil for industrial applications, is a pump which can be mounted in oil company standard drums or tanks.

An air-operated motor is directly coupled to the pump, the former being equipped with rectilinear valve gear to ensure optimum efficiency in the use of air which may be from 3 bar up to a maximum of 12 bar. The high volume pump is one of several new products to be featured at the Motor Show in Birmingham by Tecalemit Garage Equipment Company, Bellvue Industrial Estate, Rotherham, Plymouth (0752 701212).

Welds sheet or tiles

SWISS-BUILT motorised hot air plastic welding equipment which can be fitted with a range of accessories for carrying out 40mm overlap or tape welding, melt welding, and 4mm seam jointing, has been introduced by Welwyn Tool Co.

Typical overlap and tape welding applications include the manufacture or repair of marquees, sunblinds, tarpaulins (including customs sealings), roofing, damp course sheeting, etc.

Seam jointing is most commonly used to seal the gaps between pvc floor tiles, especially in kitchens, operating theatres, and other areas where hygiene is important.

The basic rig, called Variant, has a compact, lightweight chassis fitted with a variable position hot air gun and an electronically-compensated infinitely variable speed torque motor which is capable of maintaining a constant predetermined rig velocity under changing load conditions, such as when travelling uphill or over uneven surfaces.

Both gun and motor may be powered by a 110v or 230v mains supply. Two driven wheels are mounted at the rear of the rig, whilst the front wheel can be swivelled to facilitate turning, and is adjustable for height.

Various plug-in heating elements are available for the hot air gun, giving a choice of temperatures up to 600°C suitable for all common plastic sheet and foil materials. An extensive range of nozzles may be attached to suit any application, and these are selected in conjunction with the pressure roller, which is also interchangeable. For tape and seam welding, reels of the appropriate material are mounted vertically on a spool at the top of the rig.

Welding speed is variable up to 12m/min, depending on application, type of plastic, and chassis fitted with a variable position hot air gun and an electronically-compensated infinitely variable speed torque motor which is capable of maintaining a constant predetermined rig velocity under changing load conditions, such as when travelling uphill or over uneven surfaces.

Welwyn Tool, Stonehill House, Welwyn Garden City, Herts. SG8 9JN.

HANDLING

One man loading

THREE portable general purpose fork lift loaders and two heavy duty industrial models, all manually operated, have been added to its MIT range by Ex-Lift of Slough, Berks.

The loaders have a lifting height of up to 1.06 mm and a loading capacity of 125 kg, yet weigh only between 23 kg and 35 kg. They need to be operated by one man only and, being portable, can be carried in a van.

Both models in the industrial truck range weigh around 52 kg and have a lifting height of 1.06 mm with a loading capacity of 270 kg. Castor wheels on one model increase mobility and ease of handling, making it particularly useful where open floor space is restricted.

A patented "deadman's handle" holds the load safely in position if the lifting and lowering handle is, for any reason, released. Distributor is Market Place, 5, Dene Court, Kingston Road, Tolworth, Surrey (01-337 0912).

Senator. The small circle of exclusive cars has grown a little.

Once, not so long ago, you could count the number of true prestige cars on the finger of one hand.

Now, there's genuinely a new contender.

From one of Europe's biggest, most reliable—and successful—car builders: Opel.

The Senator is hardly inexpensive. But if you're in this kind of market, you'll know the best never comes cheap.

We give you a 3-litre, 6-cylinder, fuel-injected engine capable of over 120 mph and 0-60 in around 10 secs, without a murmur.

That's something both you, or your chauffeur, will appreciate.

So is the mood of sheer opulence that surrounds you. From the deep velour seats, the rich pile carpets, through to the tinted, electrically operated windows.

Suffice to say, the Senator is equipped with everything you've come to expect from a luxury car.

When you do get behind the wheel (power assisted of course, and adjustable) you'll be confronted with rosewood grain instrument panel trim, Le Mans cassette/radio, a seat height adjuster for the driver, plus

everything else that can transform modern motoring from an ordeal into a pleasure.

In purely practical terms, the

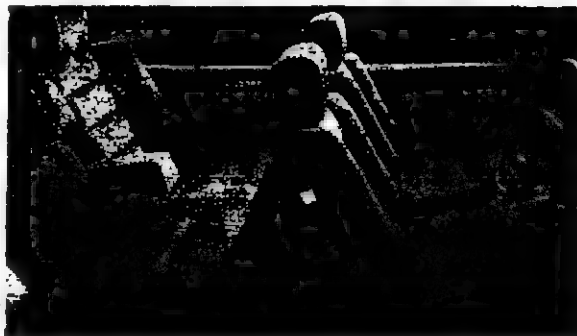
Senator, with automatic or manual transmission, can do a great deal to make the business of getting from A to B more comfortable, more efficient,

less time consuming.

And do it in style.

We suggest you get someone to ring us on 01-880 8221 so that we can arrange a trial drive, or delivery of brochures, now, or come and see us on Stand 477, Hall 5, at the Motor Show.

Before the exclusive circle of Senators becomes even more exclusive.



SENATOR

مكتبة الزمان

Mad Ludwig's moving fantasy

by DAVID PIPER

Ludwig II of Bavaria is not, dream-castle-world were actually for all the formidable excess of realised in towering and pin- his career, and even though Vis- nailed stone, in carved wood, cotti's film *Ludwig* has just glit, silks and all manner of reached London in six years late, precious materials, enhanced not a household name in Britain, but least by the advantages of the to bring to life the exhibition, new technology, such as electric *Designs for the Dream King*, at light.

Ludwig was hereditary ruler until December 17, the visitor of Bavaria: his family had ruled does need know something about him. Wagnerites of course are 1804 and his death in 1900. With informed of the capricious and an unshakable belief in the the divine right of monarchy, he set out to re-create Versailles, claim- the Bourbons as his true spiritual heirs, but also merging into his overall vision the Ger- man Gothic past, the rococo of the Munich Residence, and the Wagnerian present. His sequence of castles became the sets, a sort of solid-state opera of mad imagination, for a restless life of fantasy, as he moved from one production while many do need fairly elaborate verbal commen- tary. At the exhibition you can buy (for a reasonable £2.95, but to that must be added £1 figure of a prim gent of 1875, entrance charge), a well-com- posed and illustrated booklet, including two illuminating

actual expenditure of near 4m. essays by Gerhard Hojer and Simon Jervis, with a catalogue. The catalogue however is of the only mad, but in practice proved certifiably insane. Ceruified, alienated, forthwith incarcerated, Ludwig was next day found drowned in the Stamborgersee together with the body of one of his guardians. He was 40 years old.

For this scenario the exhibi- tion provides essentially a fragmentary blue-print. It is confined to drawings and water- colours, entirely two-dimen- sional, floribundissima though by Heinrich Brelling, 1881. — provide the question whether this message might not be presented as good if not better effect in book form. In their kind, many of them are of high quality, but mostly of a kind that does not lose much in re- production while many do need fairly elaborate verbal commen- tary. At the exhibition you can buy (for a reasonable £2.95, but to that must be added £1 figure of a prim gent of 1875, entrance charge), a well-com- posed and illustrated booklet, including two illuminating

(virtually the Baudelairean heroic uniform of modern times). One hand is folded gen- teely behind his back, as he considers before him the depic- tion of a scene of unbridled lasciviousness: in fact Tana- huser in the Venusberg. This I found indeed stirred echoes of Wagnerian thunder in the mind, but the figure in it pro- vides a poignant link with the real world. After it, the other drawings, mostly unpeopled, seemed void, and their remote- ness from reality too great, even when realised like designs for that of the upper courtyard of Neuschwanstein. They con- stitute though a vision not to be missed, to be followed up per- haps by the planning of a Bavarian itinerary for next holidays.

The other, major, event at the Victoria and Albert is the exhibition of sculpture by Giambologna. This was noticed in these columns by William Packer in its first showing at Edinburgh: it is in London till November 16, and thence goes to Vienna. Some additions have been made (notably, some of the wax models for bronzes, too fragile to go on extended tour, and so visible only here), while an additional dimension is added by the presence nearby of the great life-size marble group of the V and his sident Samson over the Philistine. This has understandably not been moved from its usual position, but seems to have been provided with a new (and still not quite satisfac- tory) plinth, and its lighting in- tensified in relation to the tell- ing contrast with the formidable Bernini Neptune just up the steps. Even if many people and the Mannerist contortions of much of Giambologna awkward and uncomfortable to the eye, his invention and his skill, and the way even his shop and his followers, especially in the medium of bronze, remain breathtaking while he is beyond argument the crucial figure in European sculpture between Michelangelo and Bernini. The exhibition is further a once-and-for-all chance: it will probably be impossible ever to reassemble anything like so comprehensive a representation, and the chance has been taken by the organisers with delight, eagerness, and a magisterial display of close argued scholarship (the catalogue costs £2.50, but essential for all interested in bronzes). It is a dazzling experience; arguably rather over-lit (the spots bring out a sparkle, to- gether with a most sensuous gleam, in the bronze, but lose some detail in heavy shadow) but displayed with great elegance, and very informative groupings. Bronzes are by their nature reproducible—reproduc- tions of some of the motifs here were made into the 1930s—and the V and A has even met that challenge. Two reproduc- tions have been made in bronze, which sounds horrendous. The Mars however is both highly accurate, acceptable in colour and (unexpectedly) about right in weight in the hand even if the feel is not that of bronze. At £70, it is not at all unreasonable. David Piper



Woody Herman playing at Chichester

Sanyo Jazz Festival

Herman at Chichester

by KEVIN HENRIQUES

The five-day, seven concert Sanyo Jazz Festival at Chichester, which ended on Sunday evening, was almost certainly the first fully commercially sponsored jazz festival to be held in this country. There was no backing in name or money from the Arts Council, local arts associations or the rate- payers of West Sussex. Sanyo, the Japanese company which specialises in what could be termed the hardware of the sound business, decided to sink £35,000 into its first venture of this kind in Britain. Apart from ticket sales and subsidiary items such as programmes, etc., there was no other source of income.

Impressions gained during a brief visit indicated that Sanyo was pleased with its invest- ment, even though it seems probable that the final accounts will show a small loss. Of course Sanyo was not surviving for huge profits. Indeed if any surplus accrued from this or future festivals it will be ploughed back into the grass roots of jazz in ways yet to be decided. Sanyo's aim was publicity for the company (which it received extensively) and to begin to make the name Sanyo synon- ymous with jazz in this country.

Inevitably and unsurprisingly the artists chosen to perform were safe box office attractions, particularly the visiting Ameri- cans. The solid centrepiece was the latest version of Woody Herman's Young Thundering Herd which performed at five concerts.

The laudable intention was to mount a retrospective covering Herman's 40 years in jazz with part of each concert devoted to a different period in his hand- led career. But at the three, con- certs I attended this interesting concept seemed to be forgotten will only a couple of items included from the relevant era. Still it is always exhilarating to hear a Herman Herd. This one

is an enthusiastic, tight, expertly drilled unit, mainly youngsters, with a scorching trumpet section and four saxes who vividly evoke the jumping lyricism of the renowned "Four Brothers" of the mid-1940s. The band soloists are polished without being sensational. Pick of them was diminutive baritone-saxist Gary Smulyan and trumpeter Glenn Drewes.

Sarah Vaughan was the other American visitor (Chicago-born tenor-saxist Bud Freeman doesn't count—he is now a naturalised Briton). At her first concert, though recovering from an ex- tended journey caused by fog (yes, she did sing "A Foggy Day in Chichester Town") and initially

"Satin Doll" and "Beale Street Blues"—unlikely puns such as this are the real stuff of jazz festivals. Both veterans were clearly moved by the experience.

The other non-British group was Colours, an international electronic quartet, led by Ger- man bassist Eberhard Weber, which was high in decibels but light in emotional content. Bel- liant but clinically played with detachment. Colours' music is for the intellect rather than the heart or soul.

Britain's electronic contribu- tion was the highly percussive septet Paz in which warm alto- sax and flutist Ray Warleigh seemed redundant in front of the wall of sound built by the rhythm men and percussionists.

Entertainment Guide

appears on Page 12

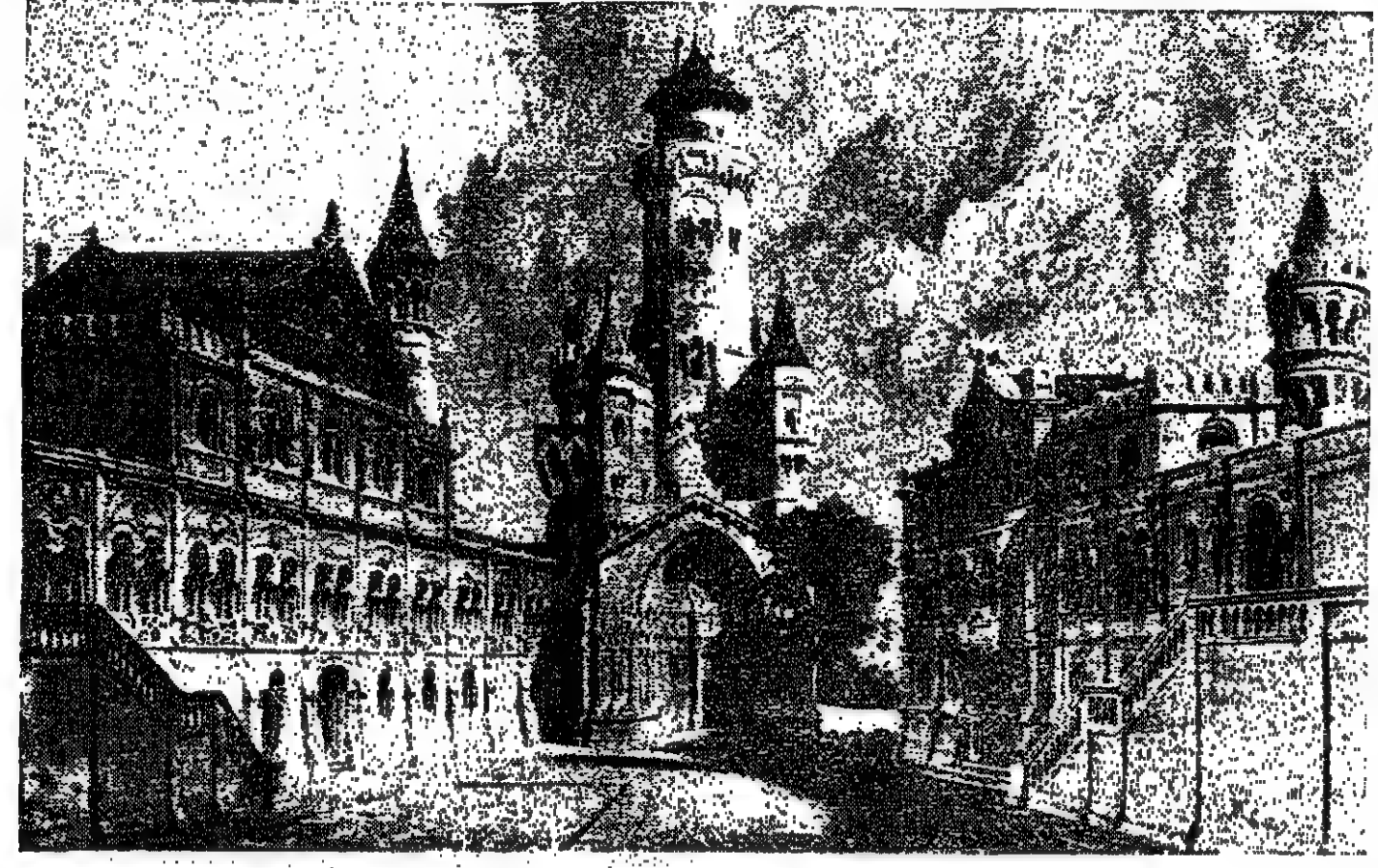
dissatisfied with the sound, she was in immaculate form. Like good wine, jazz fingers seem to get better with age and the divine Miss V, at 64, maintains a remarkable consistency. Her magnificently controlled vibrato, her range and technical command are a continuing wonder. Though mindful of the claims of Ella Fitzgerald the view must be advanced that Sarah Vaughan is the outstanding jazz singer of the day.

Equally outstanding in his own special way was Stephane Grappelli, truly the effervescent nonpareil of the jazz violin. The joy this always welcome visitor from France communicates by his joyful music and his platform comportment are practically un- matched by any other living jazz musician.

His swinging violin playing is as elegant, as poised, as beau- tiful as ever, his tone simply gorgeous. He is no slouch as a pianist either as he showed in a solo spot. He later joined Woody Herman and his Herd for

There was also an effective performance of Stan Tracey's *Under Milk Wood* Suite with actor Donald Houston bringing the right measure of intensity to Dorian Thomas's words but never over-dramatising them, and Tracey's quartet reminding us once again of music which has become a solid part of British jazz history. The Humphrey Lyttelton band and the Ronnie Scott quartet completed the roster of performers which was safely manageable, unlike simi- lar events held in Europe.

Audiences for the concerts held in the Festival Theatre, which seats just under 1,400, were always enthusiastic and appreciative. Whether this was a local festival outside the theatre is debatable. In Chichester itself involvement, particu- larly awareness of the event did not seem at a high pitch. No doubt Britain's proud his- toric licensing laws precluded any post-concert musical activity, organised or spontaneous, in the town. But surely there could have been some live music in the theatre's restaurant, open each night after the concerts? It would at least have taken one's mind off the dismal food.



Design for the upper courtyard of Neuschwanstein, 1871

Coliseum

All for Paul

by CLEMENT CRISP

Paul Clarke's death two years ago inspired in his friends and colleagues the desire for a finer memorial to him than have inscriptions on marble. Led by Patricia Ruanne and Kerrison Cooke, they decided on a fund to provide teaching for young and gifted dancers, and with prodigious efforts in their own time have raised £15,000. The sum needed for the Paul Clarke Memorial Fund is twice that amount—I would urge you of your charity to send a contribu- tion to the Fund at the Royal Academy of Dancing, London, SW11—and the gala at the Coliseum on Sunday was yet another step towards that goal.

Svetlana Beriosova, beautiful in red, made a touching opening appeal, and the participation of many dancers was framed by excerpts from *Predval Son in Ragtime*, the ballet which is so closely linked with Paul Clarke's bright young talent.

The planning of the pro- gramme deserves every praise: the items are too many to de- scribe in much detail, but there were enough special treats to satisfy even the most jaded gala audience.

From the Royal Ballet Marguerite Porter and Wayne Engling in an adagio from Michael Chantley's *Symphony for Paul*; Alfreda Thorogood and David Wall in a duet from *Voluntaries*, and Lesley Collier and Festival's Kerrison Cooke in *Cherrie's* slow movement, were all very fine.

Ronald Emblem with a support- ing cast from both Royal and Festival Ballets tripped through *Widow Simone's* clog-dance, and as fascinating prelude to this we were shown a duet from the Imperial Russian version of *La*

Elizabeth Hall

ECO/Thomas

The double-bass might have sung melodiously and strummed grotesquely. Faced with the task of composing a double-bass con- certino, Richard Rodney Bennett has enough skill as an enter- tainer to have chosen that way. Alternatively, he might have employed the extremes of avant- garde technique—slapping strings, glissando, freakish high notes, electronics and the rest. Instead he has written a restrained, "straight" concerto (in the 12-note method, or some- thing very like it) and I regret to have found it merely tedious at its first performance on Sunday night.

Using an accompaniment of only oboe, cor anglais, two horns and strings, it was composed for the eventual winner of the double bass contest recently held in the Isle of Man. Jiri Hudec of Czechoslovakia having emerged as victor, it was he who gave this performance with the English Chamber Orchestra under the American conductor, Michael Tilson Thomas. Though Mr. Hudec was able to exhibit his prodigious and apparently unflappable powers, throughout his three movements the music itself prevented any such exhilaration as I felt at Mr. Hudec's solo recital five weeks ago.

Mr. Thomas enriched the even- ing, however, by a beautiful flow- ing performance of one of those "lesser" Haydn sym- phonies which are generally neg- lected only because the com- poser's fertility gave us so many incontrovertible masterpieces of the first order. The symphony no. 81 in G proved a deli- cious, its slow movement, a set of variations, has a theme graceful enough to adorn Haydn's famous (and later) London symphonic set; and its scherzo reinforces its rough vigour by twice cheer- fully defying the accepted rules of musical grammar. One could hardly avoid the image of the composer giving a deliberate and naughty wink.

The central "Trio" of this scherzo, with its drone-bass and artless tune, evokes a rustic band. I wondered accordingly if Mr. Thomas had placed the symphony as a purposeful forecast of Beethoven's *Pastoral* Symphony at the end of the programme. Historically justified though it may be to perform the *Pastoral* with a smallish orches- tra (about 24 strings), the sound is odd today—and perhaps the lack of a rich, plowing tone was responsible for some burrs on Mr. Thomas's part, as though from the first "arrival in the country" he was too concerned with the bus back to town. But on its own terms the ECO is playing very attractively these days, and in Mr. Thomas it has a guest conductor worth culti- vating.

ARTHUR JACOBS

Round House

Warsaw Music Workshop

Two important promoting bodies for modern music joined forces on Sunday afternoon to present the visit of the Warsaw Music Workshop to England: the new Macnaghten Concerts (the recently reincarnated version of the Lutynski-Lemare organisa- tion) was featuring the group in its current series of concerts including East European music, while the Arts Council Contem- porary Music Network was launching the group on a nation- wide tour which will take it to Leicester, Huddersfield, Bristol, Cardiff, Nottingham, Exeter, Barn, Derby, York, King's Lynn, and Wavendon—in all of which places it should not be missed.

The Workshop has had its present form of a versatile quartet of cello, trombone, clarinet and piano for some ten years now, and it was evident in their long, diverse but not over-demanding programme that there is no common factor in the music they play except the inspiration provided by the group's four virtuosi. No less than ten pieces were given inter- spersed with film of three more (plus one superfluous repeat).

Pianist and director Zygmunt Krause has clearly formed and nourished this group, and his own two pieces contained the concert's most delightfully in- penetrable and alarm clock. I hope inventive sounds. Each featured tape of natural sound—voices, farmyard, wind (to which the Round House helpfully added Inter-City trains)—interspersed with the playing of quartets of similar instruments by the group.

The quiet interactions of mini- combinations using humming glasses in *Soundscape* made more potent effect than the more lavish bagpipes, flutes and hurdy- gurdys of *Idyll*, but each piece made a telling point about artificial and natural sound.

Acute observation of sound in quality seemed to underpin several of the other trifles—some no more than studies, prepa- ratory thoughts for a piece. *Vidovszky's* 78/5/28, a brief clank of manually dampened piano sound; *Serocki's* *Swimming Music*, an entertaining reduction of jazz to its purely rhythmic elements, expressed in terms of noise; or Kotonski's *Pour Quatre*, a curiously co-ordinated essay in free playing—all these made one small point, interestingly and unpretentiously.

I took strongly against Tito Medek's "swan-song for town musicians," *Stadtefeier*, with its very like smoke rise from the instrument) and Goretzki's *Musique IV*, though demonstrated the players' prowess and patience brilliantly.

But *Matinata* by Ivana Loudova Krause has clearly formed and nourished this group, and his Monday-morningness: drifting own two pieces contained the concert's most delightfully in- penetrable and alarm clock. I hope inventive sounds. Each featured tape of natural sound—voices, farmyard, wind (to which the Round House helpfully added Inter-City trains)—interspersed with the playing of quartets of similar instruments by the group.

NICHOLAS KENYON

Palladium

Leo Sayer

After the stiffness of Barry Manilow at the Palladium all last week it was a relief to welcome the on so loose Leo Sayer on the same stage on Sunday. Mind you there were times when you wish that Sayer would keep his hands and arms and legs and feet a bit more in contact with his body. *Moonlighter* is a sad song and not at all improved by a series of mimes that make a charade of it.

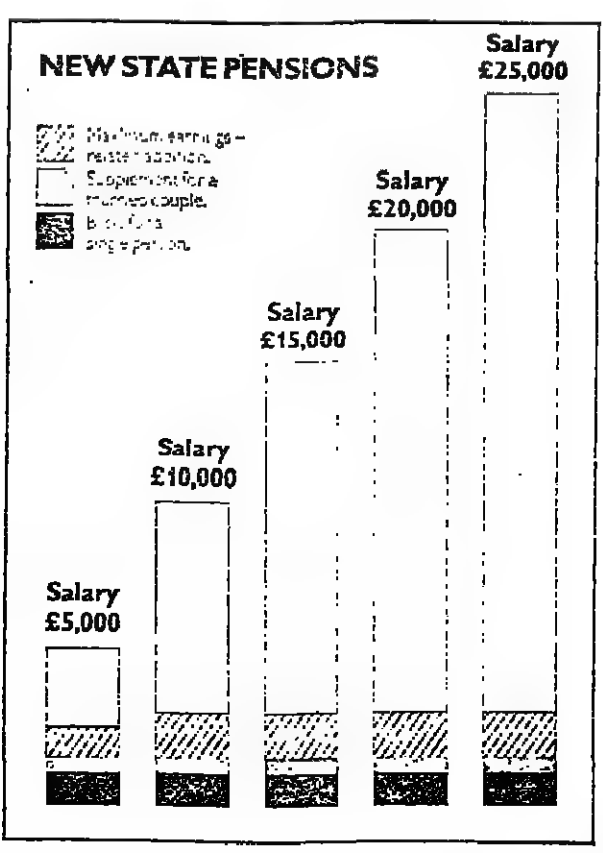
But with such a strong reper- toire of songs, and a sure falsetto voice Leo Sayer can hardly go wrong. Few artists can follow a moving and introspective song like *Gloria* and then follow it with *You make me feel like dancing* and make both equally effective. It was the same at the end of the concert when his latest hit *I can't stop loving you* was topped by *Long Tall Glasses*, with Sayer hopping around the place like a white suited fly on hot tinders.

I find the frenzy, the Charlie Drake-like fooling of the little man, hard to take. When Sayer says he is in a "silly mood tonight" you sink a bit lower in your seat. But when the clown- ing is kept in check Sayer is in a class of his own, switching from pathos to exuberance, always keeping the eyes trans- fixed. It is only the self-parody, the unsure clowning that stops him being the international superstar that his material and his singing demands. With a very professional, if rather anti- septic, band in support he carried the evening. His shout at the end that this had been the most satisfying concert of his career might have been slightly exaggerated, but there is no denying his talent, and his ability to deliver the very best in contemporary music.

ANTHONY THORNCROFT

If you're in the new State Pension Scheme, retirement could bring you down with a bump.

By now, you're either in or out of the New State Pension Scheme. If you're in, what should concern you most is what you're going to get out of it. What you will probably get is an inadequate pension at retirement. Quite clearly, there's a large gap between salary and pension, and the higher the salary the bigger the gap - and that's where we can help you. Equity & Law have the right policies - both for individuals and groups of employees - not only to help close the gap, but to provide what the State Scheme does not, a cash sum at retirement or a lump sum benefit on death before retirement. Call your financial adviser, or contact us direct at any of our Branches. Then you'll have more to look forward to.



Equity & Law

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FINANCIAL TIMES

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 Telephone: 01-248 8000

Tuesday October 17 1978

Unanswered questions

BY THE end of this month, according to the declared timetable, the member governments of the EEC must take the fundamental decisions necessary to set up a European Monetary System. The Finance Ministers met yesterday to delve still further into the technical questions about the exact mechanism of intervention in the exchange markets implied by such a system. Unfortunately this barren dispute has taken up almost the entire time of those involved since the initiative in Bremen in June. As a result the Prime Minister, when he visits Bonn later this week and Paris next week, will have the opportunity to raise a whole series of fundamental questions which have yet to be answered—or even to be asked.

National objectives

The most fundamental question is simply what is the purpose of setting up a union in the first place. This is not a matter of ensuring that all the participating countries have the same national objectives in joining. In such a union some members may hope to find more reliable markets for their goods, and others more stable monetary conditions. However, it is important to decide on the objectives of the institution itself. It could be, as the Commission wishes, a step towards closer economic and well as monetary union: this raises questions about the co-ordination of fiscal and monetary policies which have not so far even been discussed. Failing some effective steps to secure convergence, the union will inevitably turn into a kind of European Bretton Woods, in which members can at best hope to find a source of balance of payments finance. Of course, this is not even a caricature of Britain's intentions in joining in the discussions leading to an EMS. On the contrary, the Prime Minister, like M. Barre in France, sees the act of joining as a public commitment to stability which may help to influence market behaviour, both in the exchange markets and round the wage bargaining table. Indeed, the fear that a refusal to join would be construed as a confession of weakness and provoke an immediate crisis provides one of the strongest practical arguments for British participation. All the same, the outcome does not always mirror the intentions of those involved. Adjustments inside the present snake have been quite frequent, and cumulatively large in some cases. Officials who are aware that any system of obligatory intervention positively invites speculation speak of the need for early, frequent and modest adjustments inside an EMS. It is hard to see how a regime of frequent adjustment would impose discipline or discourage speculation.

The reserve role

Indeed, it is not only doubtful whether much would be gained by joining a mini-IMF; such an arrangement might very well have a short life. Inside the snake it has been possible to manage a cumulative movement of 17 per cent in the Norwegian kroner, for example, because this currency is not widely traded. A fear of a similar movement for sterling would pose very different problems. Sterling is widely traded and widely held. In as far as the rules for intervention are a central issue, the question of financing capital flows—and the related question of how far exchange controls can be justified inside a European system—are of far more substance than the present arguments over grids and baskets. The present debate is partly over the trivial matter of whether the weak or the strong currency authority should more actively intervene when market pressures demand it—in other words, whether the resultant debt should be denominated in the weak or the strong currency. This should only be of pressing concern to potentially weak members with low reserves. The more important issue is how much freedom of movement the EMS should countenance; but this is being debated out of its necessary context. Tight limits can only be maintained by economies which have converged. The central question which the Prime Minister should raise in his discussion is not, then, the size and terms of credits available, or the precise rules for applying them, but the question of common economic policies. Policies will have to be broadly consistent with membership of an EMS if the system is long to survive; real policy co-ordination would make the whole exercise worth while. There are three issues involved here: the linkage of monetary policies; the development of fiscal policies in a European context; and what has become known as the transfer of resources—that is, an effective and equitable use of the EEC's own Budget. The first of these is the most pressing question, but fortunately the least difficult. Under floating exchange rate movements respond sharply to any errors in monetary management, and already the UK has been forced to tighten policies and Germany to more relaxed ones than would otherwise have been likely. The gap can be bridged.

Locomotive theory

Co-ordinating fiscal policy is likely to be more difficult, both because of existing prejudices and because the objectives are less easy to define. Initially there could be strong pressure on the stronger countries to expand fiscally more than they would wish in order to take the sting out of anti-inflationary policies in the weaker countries—the locomotive theory in a European context. The idea that one can deflate without reducing the total pressure of demand is an illusion which seems to die hard in such negotiations. On the other hand fiscal policies ought to be drawn up on a European basis. The need to avoid excessive deflation in total, and the need to produce convergence in performance, may require some relaxation from the strong countries, if not a full locomotive effort. Planning will also be complicated by divergent business cycles, which should be accommodated, not suppressed. The question of the EEC Budget and the reform of the agricultural policy has defeated good intentions for many years past, and clearly cannot be solved suddenly as part of a hurried negotiation for the EMS; the most that can be achieved here is a serious declaration of intent, with a symbolically helpful initial gesture. However, fiscal and monetary co-operation should be on the agenda now; and objectives for exchange rate stabilisation could then bear some relation to progress on the fundamentals. If Mr. Callaghan can widen the EMS agenda in this way he may set back the timetable by some months—which seems likely in any case; but he will greatly have improved the chances of an outcome which is both technically durable, and likely to make a worthwhile contribution to progress in Europe.

WHITEHALL AND THE NEW ROCHE PLANT

The international hard sell

THE ANNOUNCEMENT yesterday that Hoffmann-La Roche is to build a £140m vitamin C plant in Scotland marked the end of several months of hectic activity for the UK Government which has been bidding since early this year to win the investment and jobs involved for Britain. Eventually it was a package of nearly £40m state aid that clinched the deal and stopped Hoffmann-La Roche reviving an earlier plan to build the factory in Switzerland, the company's home base.

During these months the British Government has been engaged in a fairly new sort of activity. It involves Ministers and civil servants acting as international industrial negotiators, with Government industrial aid as their main weapon.

Because of this the deal is especially significant since it shows two important ways in which Government aid to industry has developed during the past few years. (Both ironically stem from initiatives first taken by the last Conservative Government: their future must now be in doubt if the Conservatives win the next general election and set about gradually dismantling the present intricate structure of Government support for industry.)

The first is a new role that has been developed by the Department of Industry to attract inward investment to the UK, building on the work of the Department's Invest in Britain Bureau that was set up in a small way by Mr. Christopher Chataway when he was Minister for Industrial Development in 1972-74. The second is the use of special selective aid schemes which have been built up from the Conservatives' 1972 Industry Act and which are providing £18m of Roche's £40m State aid through the Government's Selective Investment Scheme.

The Invest in Britain Bureau, which now has about 40 staff,

operates within the Department's regional support and inward investment division.

From this base the Department has adopted a more positive attitude towards attracting foreign business and the Roche project is one of several examples where it has taken the lead with Whitehall Departments and other interests in preparing bids.

One of its first successes was winning a £100m Hong Kong



Industry Minister, Mr. Alan Williams in charge of inward investment matters.

power station order for turbine generators from GEC and other equipment earlier this year.

Negotiations on the deal started with a meeting in March last year between Sir Lawrence Kadane, chairman of China Light and Power, a partner in the electric company which owns the power station, Mr. James Callaghan, the Prime Minister, and Mr. Alan Williams who, as a Minister of State for Industry, is in charge of inward investment matters. Specific proposals were developed later and

Mr. John Lippitt, a Department of Industry deputy secretary with general industrial policy responsibilities, played a central role in leading the UK negotiating team.

The involvement of senior Ministers—and even the Prime Minister—in major investment projects is not of course all that unusual. Mr. Callaghan played a personal role in the negotiations that led a year ago to Ford Motors deciding to go ahead with a £180m engine plant at Bridgend in South Wales—helped with approaching £100m of State aid. But what is new is the idea of the Industry Department's civil servants adopting a leading interventionist role.

The substantial carrot that the Industry Department civil servants can produce is the plethora of selective industrial aid schemes developed since 1972, in addition to ordinary regional aid, to encourage industries to modernise themselves.

Then there are some general-purpose schemes covering areas such as energy conservation and process developments, the largest of which is the £150m selective investment scheme used for Roche. This was set up nearly two years ago to take over from an earlier accelerated projects scheme and its object is to stimulate investment projects of benefit to the UK economy. Thus it can be used to persuade a company to build, enlarge, or accelerate the construction of a factory that might otherwise have been abandoned, built on a smaller scale, or delayed for some years.

In the Roche case it meant persuading the company to build in the UK instead of in Switzerland and to enlarge the size of the project from an initial £40m.

The Roche project brings the total support promised so far by the Government under the

scheme to £70m spread across 108 projects with a total investment of £707m. A further 228 projects are being processed by the Department's Industrial Development Unit which vets for approval to the Department's part-time Industrial Development Advisory Board, comprising industrialists, trade unionists and other outsiders. A total of £180m aid is being sought for these 228 projects which account for a potential total investment of £1.7bn.

Both these sets of figures for the projects approved and the outstanding applications indicate that there is normally a ratio of 1:10 between the Government aid and total project cost—a ratio that the Government had to exceed in the Roche case, where there is £18m aid for a £140m investment, in order to secure the project for Scotland.

The Roche aid is the largest so far under the scheme, although there are believed to be some other similar sized projects under consideration. The previous largest was £10.5m aid for Unilever towards a £100m. Thames Board Mills Development at Worthington, Gumbria, which also received £30m regional aid.

Environmental complaint

The story of the plant that Roche is now to build in Scotland goes back some five years. In 1972 when environmentalists bailed a plan to build a new vitamin C factory at Roche's existing Swiss works at Sisseln, the complaints stemmed from the salts effluent that the process causes (which will be less serious at Dalry, near the Scottish coast) and waste steam from the plant's boilers. There

was a series of court cases and by the time these were finished in 1973-74 the market had changed and Roche decided to postpone its plans.

Since then Sisseln has been a candidate for the plant along with other sites including Village-Neuf in Alsace and locations in the U.S. and Italy. Then in May this year, at a time when Roche was considering a £40m extension of its Dalry plant, Mr. Alan Williams, the company's deputy chairman, at a dinner in Rasse given to promote the Department of Industry's Invest in Britain Bureau.

Dr. Hartmann raised the question of possible Government aid for a larger £100m project at Dalry and from this the £140m project grew. The British Government team, led by two senior Industry Department civil servants, and including the Department of Health and Social Security and the Scottish Office, was then put together and prepared its bids.

The regional aid is fairly automatic on a proportional basis in an area like Scotland, but the selective investment scheme aid is highly negotiable and at one stage three months ago it had to be raised to placate Roche and so finished up above the 1:10 ratio. At one stage a senior civil servant paid a flying visit to Switzerland to sort out problems with the board and even at the end of last week there was a last minute panic when the EEC Commission in Brussels failed to give the industrial aid the promised at fair under the Community competition rules. Mr. Williams yesterday was highly critical of the "rather inefficient bureaucracy" that had let the Commissioner responsible, M. Vonn, hold this up until he was contacted, at the UK Government's request, by Mr. Roy Jenkins, the Commission president, on Friday.

A spokesman for Roche said last night that without considerable Government aid it would not have made sense for Roche to develop in Scotland. Certainly the Ministers and civil servants that have made up the new style government negotiating team in the project constantly feared that Roche might return to Sisseln. Whether as a consequence they raised their selective aid bid more than they needed to may never be known. In Whitehall yesterday they seemed sure they had achieved a considerable coup.

More State aid

For Roche the development in Scotland is a useful demonstration of a multi-national organisation's ability to secure a high unemployment rate. It also helps to rebuild relationships between the company and the UK Government after the valium and lithium prices battle of a few years ago—in which Mr. Alan Williams, then at the Prices Department, played a major role. The company is also setting far more State aid than it could in many other places although this is partly needed to offset the fact that the British construction industry will take 25 per cent longer to build the factory in Scotland than would be needed in Switzerland. Mr. Williams said yesterday that he and his civil servants are constantly told on visits abroad, especially by oil companies, that one disadvantage that has to be offset by State aid is the slowness of Britain's builders.

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Healthy demand for vitamin C

BY SUE CAMERON

HOFFMANN-LA ROCHE pioneered the synthetic manufacture of vitamin C on a commercial scale in 1934 and claims to be the biggest producer in the world now.

It already has two major manufacturing plants—one at Grenzach in Germany and one at Belvidere in the U.S. where the annual production capacity is 10,000 tonnes. The new plant at Dalry, which is scheduled to come on stream in 1983, will have a production capacity of 40 tonnes a day.

Total current capacity for vitamin C production in the non-Communist world is estimated at over 30,000 tonnes a year. But demand is on the increase.

There are now 14 known vitamins: A, C, D, E, K, choline and those in the B group which takes in thiamine, riboflavin, pyridoxine, nicotinic acid, folic acid, biotin, pantothenic acid

and Vitamin B12. The point about vitamins is that humans, monkeys and guinea pigs—alone among the animal kingdom—cannot produce any of them in their own bodies. Yet vitamin deficiency leads to a whole range of diseases. Lack of vitamin C causes scurvy, lack of B12 causes pernicious anaemia, lack of B2 or pyridoxine can lead to beriberi and a shortage of vitamin A leads to blindness.

Roche markets all the known vitamins and it manufactures all but three of them. The greatest demand—on a world scale—is for vitamin C. One reason for this is that as well as its pharmaceutical and nutritional uses, vitamin C, or ascorbic acid as it is known, is also an antioxidant and is therefore used in food processing.

Roche Products, the British subsidiary of Hoffmann-La Roche, reckons that about 50 per cent of the vitamin C which will be produced at its Dalry

plant will be used for pharmaceutical purposes and 50 per cent will be used in food processing. But in the international market the chief use of vitamin C is as a nutritional additive to animal feeds.

Vitamin C is added to fruit and vegetable juices to prevent them going cloudy and to preserve their colour. In beer, it is added to ward off the development of "beer rot" and in canned vegetables such as potatoes and mushrooms to prevent discoloration and it is also used as a flour improver agent.

The raw material for making vitamin C synthetically is glucose which is usually obtained from maize. The manufacturing process itself is a highly sophisticated one because it involves producing bulk commodity tonnages to pharmaceutical standards.

The technology for manufacturing vitamin C has advanced

considerably since the end of World War II and this has been reflected in a dramatic drop in prices. In 1950 vitamin C was selling for £14.75 a tonne. Today it sells for only £4.55 a tonne and these figures are at current prices with no adjustment for inflation.

The Dalry plant is expected to employ as many as 430 people and about one-third of them will be graduates or highly skilled men and women. The production process includes five separate reactions and each one has to be carefully controlled. Frequent and rigorous testing is carried out at every stage of the process. Roche has decided that Dalry will have a number of localised control panels—rather than one huge control room—as that at the Belvidere plant. One of the drawbacks to having a single board is that it takes time to reach a reactor vessel and rectify errors when something goes wrong.

Roche is planning to export owned pharmaceutical companies are attracted to Britain produced at the new Dalry—50 per cent of the UK industry plant and it claims this will contribute £36m a year to Britain's balance of payments on drug prices. Nonetheless, the company already has a manufacturing plant on the Dalry site and 50 per cent of the vitamin B1 and B5 which are made there are also exported.

Roche's decision to site its new plant in Scotland is an interesting one if only because its relationship with the British Government has a somewhat chequered history. Mr. Alan Williams, Minister of State at the Department of Industry, has been negotiating with Roche over the Dalry deal, yet it was he who was junior Minister for Prices when the UK forced Roche to cut its prices for the drugs Valium and Librium. The price cut was short lived and it is now thought that one of the reasons for many foreign

MEN AND MATTERS

Firework row smoulders on

"A quid for the guy" was the unexpected demand of an 8-year-old who hailed me yesterday. The £900 per cent increase on the traditional sum struck me as particularly ambitious in view of his "guy" this owed little to the finer points of taxidermy.

Any sneaking admiration one might have for such enterprise is sternly criticised by the National Campaign for Firework Reform. "We do not approve of teaching children to beg," they say, adding that children should not be encouraged to talk to strangers.

Such strictures apart, the NCFR tells me that this year it is sending out some "pretty frightening" posters showing the injuries fireworks have done to children. Last year one child was killed, according to Regina Dollar, the first head of NCFR, and the government figures show that 733 were seriously injured. This figure excludes those treated by GPs. On the positive side, the 1977 totals were no less than 60 per cent below those in 1969.

That was the year the NCFR was formed, and it has since had some minor successes, though it argues that government reforms in 1978 did not go nearly far enough. "It is not worth sacrificing children merely for tradition's sake," says Mrs. Dollar. She complains that each year the media only say "Come back later!" when she tries to raise their concern.

She and her successor, Noel Tobin, are now authoring ammunition for the ritual television confrontations with Firework Makers Guild. The NCFR would like a complete ban on retail sales, as exists in various European countries and parts of the U.S. But the Guild says bluntly that such demands were first made over 200 years ago and had been dropped

because people started trying to make fireworks at home; they often set their houses alight.

Adopting a generous tone the Guild tells me that its advisers have done well in stressing fireworks must be handled properly. But otherwise it thinks on the NCFR "very negative." The NCFR, for its part, argues it has not yet been negative enough.

Flying doctors

With abominable snowmen reputedly inhabiting the peaks and well-fortified defences of the Himalayas, Nepal is not just a easy mountain kingdom for its more superstitious inhabitants. Now they are facing what could be a new source of legend—a hovercraft which can speed along over the rocks and rapids of some of the rivers in that Himalayan fastness.

The hovercraft is due to be put on trial in Kathmandu next month and is part of a project to improve the country's medical services: it will replace a yak—a means of transporting the sick to hospital. The project is led by the RAF and the hovercraft has been designed by Timothy Longley. He works for the Missionary Aviation Fellowship, a suitable organisation to take the doctors in not walking, at least flying on the water.

Low spirits

Norwegian troubles are not coming singly these days. On top of a wage freeze and a frosty budget, Norwegians are now faced with enforced abstinence from all alcoholic drinks except beer, their best favoured tipple. A strike in production workers in the State wine and spirit monopoly halted supplies throughout the country over a month ago. Sales personnel stayed up for a while, but there seemed little point. As one salesgirl remarked: "All you

could do was shake your head and look sympathetic." Most staff have since been spared even this modest activity: the shelves are now totally bare.

Doctors at Oslo's emergency medical centre have been busy dealing with an inundation of alcoholics suffering from withdrawal symptoms and a public relations man showing the Press round a plastics factory last week had shamelessly to ask journalists to bring their own refreshments.

The State monopoly also controls industrial alcohol, and output is threatened by plans making a wide range of products, from hair spray to compasses, although a light-bulb manufacturer discovered that metals could be substituted in the production process and sent out employees to buy all available supplies.

Norwegians are pinning their hopes on the fact that the State arbitrator Konrad Knutsen has called a fresh meeting between the two sides this week. Only one thing is worrying the drinkers—Knutsen is a teetotaler.

Canterbury tale

The law of distress excludes certain kinds of property from the attentions of creditors—among them deer and rabbits, and, more strangely, loose money; also any axe which the debtor may be wielding at the time of the bailiffs' visit.

But Canterbury city council, facing rent arrears approaching £50,000, has lighted on the fact that television does not figure in the ancient catalogue of life's necessities. Confident that intense exposure to silence or the radio must force anyone into early submission, Canterbury plans to start confiscating televisions.

"I bet most of these people have colour sets," says the council's leader Arthur Porter.

"We should send in the bailiffs to take them away."

It is an argument calculated to bring out the Tory in everyone except the National Television Rental Association.

"Blighers" comments the NTRA's director Colin Dunlop. Since a large proportion of the miscreants' televisions are rented, it is not hard to understand his position.

He tells me he has managed to squash similar schemes in other parts of the country. "We send councils a judgment of a county court in 1968 which came down in our favour," says Dunlop. "Invariably they send a courteous reply saying 'we quite understand and we won't do it.' His secret weapon is the obscure Law of Distress Amendment Act 1908.

Gentleman mugger

An old-world mugger who held up a man in Cleveland at sword-point last week also tailored his demands to the prices of a gent's age: he wanted 50 cents. When it turned out that the victim only had 30 cents, the mugger-cavalier, in a rage, punctured the man's car tyres. He was arrested soon afterwards. Cleveland police said it was not hard to pick him out from more conventional brigands.

Singularly right

Amid the heap of political rotas I brought back from the Conservatives' conference at Brighton is a leaflet published by the Monday Club called Repairing Education. Policy Paper No. 3. It is a timely document, I find, arguing, inter alia: "Standards of literacy and numeracy among 10-year-olds is a national disgrace."

Observer

Meet the Peterborough People



John Laing Construction are building Queensgate—the new regional shopping centre in the heart of Peterborough. And I'm project manager. It's got five department stores, 90 other shops, bus station and parking for 2000 cars. I moved from Nottingham with my family and we're all pleased to be here. Peterborough's definitely becoming one of England's more attractive cities. John Lockwood.

Find out about Peterborough now. Ring John Case. 0733-66931.

Peterborough Development Corporation
 PO Box 3 Peterborough PE1 1UJ

FINANCIAL TIMES SURVEY

Tuesday October 17 1978

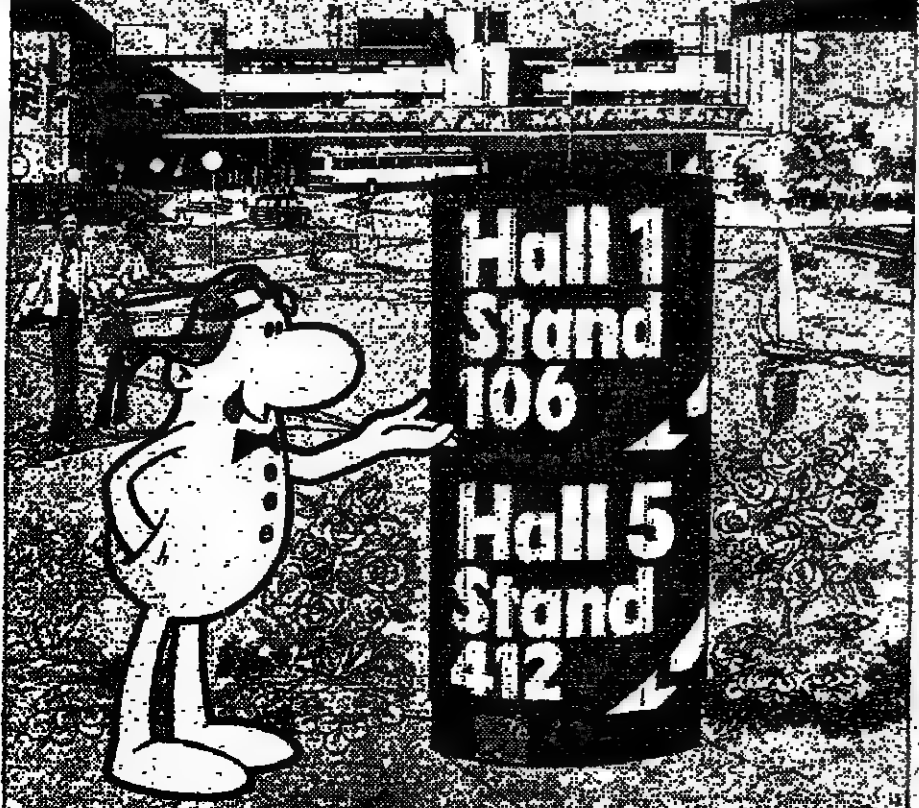
EUROPEAN MOTOR INDUSTRY

The first ever Motor Show at the National Exhibition Centre in Birmingham which opens on Friday comes at the end of a year in which the European motor industry has seen momentous changes and at a speed which has surprised almost everyone.

Where to find Lucas in Continental Europe



Where to find Lucas at the Motor Show



France, Germany, Spain, Italy, Holland, Switzerland—just about everywhere in fact. For Lucas, the continental mainland of Europe is very much an extension of the company's home market.

Last year, over £200m. of Lucas Electrical, Lucas Girling and Lucas CAV equipment was exported to Europe's vehicle makers. Fifteen Lucas wholly owned or partnership factories, in seven European countries, produce electrical, braking, diesel fuel injection and aerospace equipment. And Lucas Service covers the European continent with 7 service companies, 29 distributors and 2,400 agents.

Now, on the occasion of the British Motor Show, Europe comes to the National Exhibition Centre in Birmingham, where Lucas will provide a home from home.



EUROPEAN MOTOR INDUSTRY II

A year of momentous change

THE LAST 12 months have witnessed momentous changes in the European motor industry. During this period, various moves towards further rationalisation have been set in train, while Renault has launched a new move into the U.S. market, and the links between the industry and Government have been underlined by the projected deal between Volvo and Norway. The pace of change has unquestionably switched into a higher gear much more quickly than most people in the industry expected.

The most dramatic development has probably been the \$430m PSA Peugeot-Citroen bid for Chrysler's European interests. This has caught the headlines because its effect will be to create a larger car group than any other in Europe with a productive capacity of about 2.3m vehicles. But at the same time it underlines Chrysler's retreat from international markets, and opens up new U.S. opportunities for the French group because of the possibilities of using Chrysler's distribution network for its own products. It will also put PSA into the top flight of world companies in terms of car output, ranking number three after General Motors and Ford.

In addition to this bid, the other most significant developments in the past year have been:

1. The outline agreement between Volvo and the Norwegian Government under which the Norwegian public (underwritten by the Government) will inject about £90m into the Swedish company in return for 40 per cent of the equity. This scheme, which still has to be approved by the Norwegians, also provides for the development of component manufacturing in Norway related to a new "light car," and for Volvo to be given drilling rights for Norway's North Sea oil fields.

This outline agreement was preceded by negotiations on a merger between Volvo and Saab to create a single, large, Swedish motor group. Although these have broken down, many analysts believe that the two companies will eventually come together, whether or not the Norwegian deal is finalised.

2. Renault's agreement with American Motors in the U.S. This deal will give the State-owned French company both access to AM's distribution network, and facilities to make its R18 model in America. This means that it will be able to insulate itself in future more easily against swings in the dollar, one of the major problems faced by direct importers, while solving the problem of establishing a dealer network which is the major difficulty facing an importer in such a big country. Renault is also negotiating with Mack, the American truck manufacturer, for similar distribution rights in the commercial vehicle field.

3. Volkswagen's opening of its new U.S. plant in Pennsylvania. Like the Renault deal, VW's decision to go ahead with U.S. manufacturing has been influenced by its need to avoid currency losses. The German company has been hit very hard in this area in recent years as the Deutschmark has appreciated at the expense of other currencies. At the same time, production costs in Germany have been moving up so rapidly that it has now become cheaper to make the vehicles in America itself. Unlike Renault, VW already had an extensive distribution network in the U.S., and these moves have been designed to protect this.

4. Negotiations to put SEAT on a new footing in Spain.

These talks, which could well end in Fiat taking over complete control of SEAT in Spain, a company in which it already has a 33 per cent stake, follow SEAT's rapid sales decline in the last two years. This has been caused partly by the arrival of Ford and the launch of the Fiesta in Spain, and partly by the expansion of the country's Renault and Citroen subsidiary plants. The Spanish Government has a large stake in SEAT, along with several private banks, and one possibility is that the company will eventually be nationalised. But Fiat, which has provided the Spanish company with its basic

CAR PRODUCTION IN EUROPE 1977

	Passenger cars
PSA PEUGEOT CITROEN	
Peugeot (France)	576,109
Citroen (France)	567,230
Total	1,143,339
CHRYSLER	
Chrysler (France)	476,565
Chrysler (UK)	169,492
Chrysler (Spain)	96,435
Total	742,492
TOGETHER:	2,085,881
VOLKSWAGEN	
VW (W. Germany)	1,208,867
Audi NSU (West Germany)	317,928
Total	1,526,795
RENAULT	
Renault (France)	1,259,038
Fiat Renault (Spain)	234,358
Total	1,493,396
Fiat (Italy)	1,200,707

GENERAL MOTORS	
Opel (W. Germany)	922,304
Vauxhall (UK)	93,337
Total	1,015,641
FORD	
Ford (UK)	406,633
Ford (W. Germany)	542,750
Ford (Belgium)	305,589
Ford (Spain)	213,268
Total	1,468,240
British Leyland (UK)	651,069
Daimler Benz (W. Germany)	489,080
Seat (Spain)	346,535
BMW (W. Germany)	284,771
VOLVO	
Volvo (Sweden)	171,800
Volvo Car BV (Netherlands)	54,000
Total	225,800
Alfa Romeo (Italy)	201,118
Saab (Sweden)	76,498

Source: Economica Intelligence Unit. Figures are in thousands. The Renault deal, VW's decision to go ahead with U.S. manufacturing has been influenced by its need to avoid currency losses. The German company has been hit very hard in this area in recent years as the Deutschmark has appreciated at the expense of other currencies. At the same time, production costs in Germany have been moving up so rapidly that it has now become cheaper to make the vehicles in America itself. Unlike Renault, VW already had an extensive distribution network in the U.S., and these moves have been designed to protect this.

5. Two deals involving commercial vehicle interests are also expected to make a considerable impact on the car manufacturing sector. The first is the agreement between Fiat and Peugeot under which they become equal partners in an Italian State-aided scheme to build a new light van plant in south Italy. This will produce a vehicle more related in size to cars than commercial vehicles, and it seems that it will be marketed by Fiat's car network rather than its IVECO commercial vehicle subsidiary. Similarly, Peugeot says that this vehicle will not be integrated into the commercial vehicle network it will inherit from Chrysler.

This move sees the French and Italian companies trying to consolidate and expand their position in the important light van sector which is coming under increasing attack throughout Europe from Japanese imports.

The other commercial vehicle deal is between Volkswagen and MAN in West Germany, and provides for the joint development and manufacturing of a vehicle to fit between VW's LT van (its equivalent of the Transit) and the smallest MAN trucks of about 14 tons. Moves are afoot to establish a joint European distribution company for this vehicle. Clearly, this development will help consolidate motor manufacturing interests in Germany—VW was weak in commercial vehicles, and MAN was an isolated large truck manufacturer—while strengthening their distribution networks. The significance for the car industry in general is that the deal will eventually give Volkswagen the range of vehicle interests, from the smallest car to the heaviest lorry, which most manufacturers now seem to be seeking.

At the same time, European producers are running into capacity and productivity problems because the growing maturity of the market is leading to a reduced rate of expansion of sales. This is making it less easy for individual companies to reduce costs by adding new capacity. In the 1960s, registrations were growing so rapidly—at about 8 per cent a year—that productivity gains could be accomplished by expanding capacity and introducing more automation as it increased. Demand was also strong enough to shelter the weaker, less viable production units, with the result that Europe entered the 1970s with a highly fragmented industry.

This era is now over. Forecasts suggest a growth rate of between 2 and 3 per cent in the 1980s and 1990s has been satisfied, except, perhaps, in Spain, and much of the future expansion will come from more marginal areas, such as the demand for second cars. In addition, Europe has sufficient capacity already to serve its needs, and may have to plan for the disappearance of some overseas markets of the past—Volkswagen's decision to produce cars in the U.S., for example, means ultimately 200,000 units fewer being made at Wolfsburg in Germany.

This year's figures, following the expansion in most parts of the Continent as markets recovered from the oil crisis, in 1978-79, illustrates the point about stagnating sales. Registrations are steady in Germany and France, down in Italy and up in the UK, with the result that the total European market will be about the same in total this year as last at almost 10m units.

Predictions for next year point to a similar pattern, with sales probably rising in France and Italy, but almost certainly down in West Germany and the UK.

On the production side, no European country is currently expanding quickly. Output will probably come out for the year at about the 11.2m units achieved last year, and forecasts for next year do not envisage much growth.

The big question now facing the European car industry is how much further the pressures of a more constricted market and rising development costs will push the process of rationalisation. Most analysts believe that the scope for root and branch amalgamations, of the kind which took place in the U.S., will be limited by national political ambitions. One of the most significant elements of the Peugeot takeover of Chrysler Europe, for example, is that, although it contains an international element because of the interests in the UK and Spain, it re-established a strong,

indigenously-owned, French vehicle industry. The VW-MAN deal shows a similar vertical structure developing in Germany, and Fiat's progress in the last ten years has done the same thing in Italy.

At the same time, political pressures in Europe seem to be pushing in the same direction. The Italian Government is supporting Alfa Romeo and giving big grants to Fiat to develop in southern Italy; the French Government financed Renault and sweetened the path for Peugeot's takeover of Citroen; the Scandinavians seem to be coming together to inject Norwegian oil money into Volvo; and the UK Government is supporting both BL and Chrysler UK.

Since it is difficult to foresee these national political interests in the industry being abandoned in the near future, it is unlikely that the European industry will slim down to the four or five companies which many economists think desirable. In addition, the presence of the big U.S. multinationals in the shape of General Motors and Ford—if no longer Chrysler—complicates matters further. Counting these companies, Europe has some 12 significant car-producing businesses—or 13 if PSA

Peugeot-Citroen is split into its three constituent groups (Peugeot, Citroen and Chrysler Europe), and Fiat and SEAT are counted separately.

The alternative to complete mergers will involve the word which is on everyone's lips at the moment—co-operation. Companies in Europe will have to get together to pool investments and resources. This is the only way in which they will be able to accommodate the enormous bills for developing new ranges of cars, and to face up to the U.S. challenge which already involves co-operative design ventures between their European and American subsidiaries. There is no shortage of companies in Western Europe espousing this cause of co-operative development. Sig. Giovanni Agnelli, the boss of Fiat, talks about it continuously, and Mr. Michael Edwards, the BL chairman, stresses that the UK company's only way forward is through similar developments. During the last year the industry has begun to see some of these statements put into effect, and it does not look as though the pace of change is going to slow down at all for some time to come.

Terry Dodsworth

The overall picture for the British motor industry is not very encouraging. There has been a big rise in imported cars and UK producers have failed in their attempts to improve productivity.

Many problems in U.K.

UK CAR REGISTRATIONS—8 MONTHS TO AUGUST

	1978	%	1977	%
Alfa Romeo	8,691	0.75	5,887	0.61
BL	268,389	22.71	241,370	25.12
BMW	7,643	0.65	6,304	0.66
Chrysler	78,140	6.61	57,488	5.98
Citroen	32,730	1.92	16,874	1.76
Colt	8,037	0.68	5,017	0.53
Datsun	76,624	6.48	59,764	6.22
Fiat	51,269	4.34	48,403	4.83
Ford	318,956	26.82	241,571	25.14
GM Opel	15,337	1.29	12,970	1.38
GM Vauxhall	96,589	8.17	90,216	9.38
Honda	14,538	1.23	10,263	1.07
Jeep	224	0.02	—	0.00
Lada	12,244	1.04	8,612	0.90
Lancia	8,543	0.73	6,123	0.64
Lotus	414	0.04	327	0.03
Mazda	9,816	0.83	8,726	0.91
Mercedes-Benz	4,877	0.41	5,057	0.53
Panther	156	0.01	—	0.00
Peugeot	21,942	1.86	16,512	1.72
Polish-Fiat	2,110	0.18	974	0.10
Reliant	1,135	0.10	1,736	0.18
Renault	56,552	4.78	41,808	4.35
Rolls-Royce	980	0.08	876	0.09
Saab	4,365	0.37	3,531	0.37
Skoda	6,880	0.58	7,029	0.73
Subaru	1,029	0.09	—	0.00
Toyota	21,763	1.84	16,250	1.69
VW/Audi	45,000	3.82	32,391	3.39
Volvo	21,397	1.81	15,616	1.63
Wartburg	2	0.00	6	0.00
Others	1,599	0.14	1,453	0.15
Grand total	1,181,623	100.00	960,915	100.00

UK penetration by source

	1978	%	1977	%
British	609,978	51.62	533,327	55.50
Comecon	21,255	1.80	16,624	1.73
EEC (excluding British)	381,388	32.28	292,240	30.52
EFTA	21,762	1.84	15,289	1.59
Japan	131,793	11.15	106,022	10.41
Others	15,446	1.31	2,403	0.25
Total imported	571,645	48.38	427,588	44.50

ing from overseas. Ford, for example, now supplies Britain with built-up cars from four countries overseas—Germany, Belgium, Eire, and Spain.

On the Japanese side, sales have continued to rise this year despite the pledge to limit car shipments from Japan to the same level as last year. But it could be argued that they would have gone up still more had there been no agreement. What has happened is that the Japanese car importers have been able to draw on considerable stocks in the UK to see sales moving ahead; they have also, so far, shipped out more cars than last year to replenish the supply. But these exports from Japan are now beginning to fall, and will be required to drop even more if they are to conform to the shipments deal.

So in the last few months of the year, the Japanese importers will come under pressure to reduce their registrations, particularly if a further agreement is drawn up to limit shipments next year as well. Among the Comecon and EFTA importers, the most notable increases have been made by Lada, the Russian manufacturer, and Vauxhall, both of whom have been moving towards more European integration in Swedish producer which has the best place to take this as the way to develop their own source-

with sales up by about 5,000 units to 400. Among the smaller EEC producers, also, considerable advances have been made: sales are up significantly at Alfa Romeo, BMW, Citroen, Peugeot, Opel and Lancia. Indeed, only Mercedes among this group has suffered a decline, and this is mainly because of supply shortages.

Given these across-the-board increases, it is no surprise that the British position has not fared particularly well. It is difficult, however, to untangle

UK CAR PRODUCTION—WEEKLY AVERAGE

	1978	1977
Jan-July (30 wks)	12,544	12,528
Jan-July (30 wks)	12,544	12,528
BL Cars	3,424	3,242
Chrysler UK	8,237	7,917
Ford	1,854	2,151
Vauxhall	24	20
Lotus	13	51
Reliant	6	7
TVR	6	6
Others	76	68
Whly. avge	25,208	25,284
Total of recorded production	786,230	776,517

the main cause of this. Part of the reason is the clear decision of the multinationals to supply more of their UK needs from overseas, rather than their domestic facilities. But in the case of BL Cars, the main source of UK-manufactured vehicles, analysts disagree as to whether its poor showing this year is due to low production or rapidly declining public interest in its ageing range of vehicles.

The answer probably lies somewhere between the two. Certainly BL's production has suffered plenty of reverses this year (in the first six months the group made a weekly average of 12,544 cars against 12,528 in the same period last year); and equally clearly it has had some trouble in selling the Marina this year, since the car has been offered at considerable discounts in a novel "run-out" campaign, preparatory to the introduction of a new model.

Compared with BL, Ford UK is currently riding on the crest of a wave. It now has a model range in which no car is older than three-and-a-half years. It is also making record profits, and is in the process of large scale new investments in the UK, and has a waiting list for its vehicles which easily outstrips

demand. The Cortina and the Escort are consistently the country's best-selling cars, while the Granada and Fiesta are also in the top ten.

Some executives in the industry believe that Ford could easily raise its market share now if it wanted to. But the company's strategy appears to be one of only limited expansion. It has done little in the UK to raise car assembly output in recent years, apparently because it remains sceptical about the discipline of its British workforce, and has concentrated instead on the development of its British component manufacturing facilities.

This policy does not appear to have been changed by the recently-announced decision to invest £1bn in the UK over the next four years. A good proportion of this—probably about half—is going into the Erika project to build a new car to replace the Escort. About £180m will go into the engine for this vehicle, and the rest into development, new assembly facilities and related projects. Most of the rest of the expenditure will go into modernisation projects.

Like Ford, Vauxhall has reaped the benefit in the last two years of having a number of new cars to offer the public. The company is not doing so well as expected this year—its sales are only up from 90,000 to 97,000 as production has been virtually static—but it is expecting a boost later in the year from the introduction of two more up-market models. These cars, like its new Chevette and Cavalier vehicles, are just more evidence of its increasing integration with GM's Opel plants in Germany. They have been developed from the Senator and Monza ranges, which have already been launched on the Continent, and indicate the way in which GM has also edged away towards investment in Germany and on the Continent rather than the UK car assembly industry.

Compared with last year, Chrysler has also made a considerable recovery this year. But its sales are still quite limited—at 78,000 so far they are only about 2,000 ahead of the leading importers, Datsun's—and its future is now back in the melting pot following the bid from Peugeot-Citroen. Thus, it remains an open question whether it will go through with the plan to introduce another new car next year as laid out in its 1976 agreement with the British Government.

The overall picture which has emerged of the British industry this year, therefore, is not very encouraging. BL is continuing to invest quite heavily, but only by dint of drawing on Government funds, and Ford is not adding to assembly capacity. All three of the multinationals are now keeping alive many of their ambitions in the UK by importing cars, and other importers are strengthening their networks in the UK. Meanwhile none of the UK producers seems able to raise production or productivity, and, of situation which a growth market probably exacerbates rather than helps.

Terry Dodsworth

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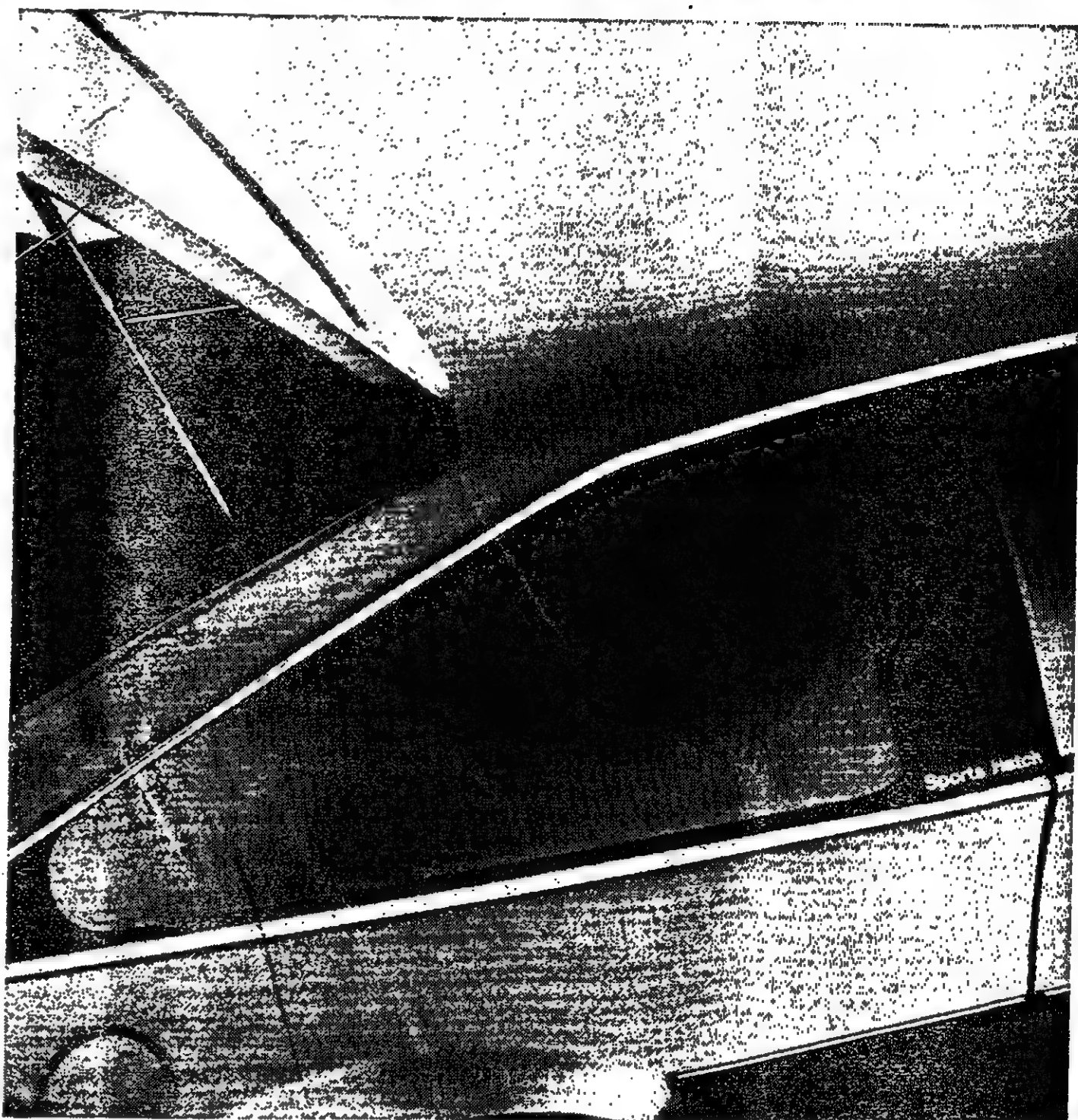
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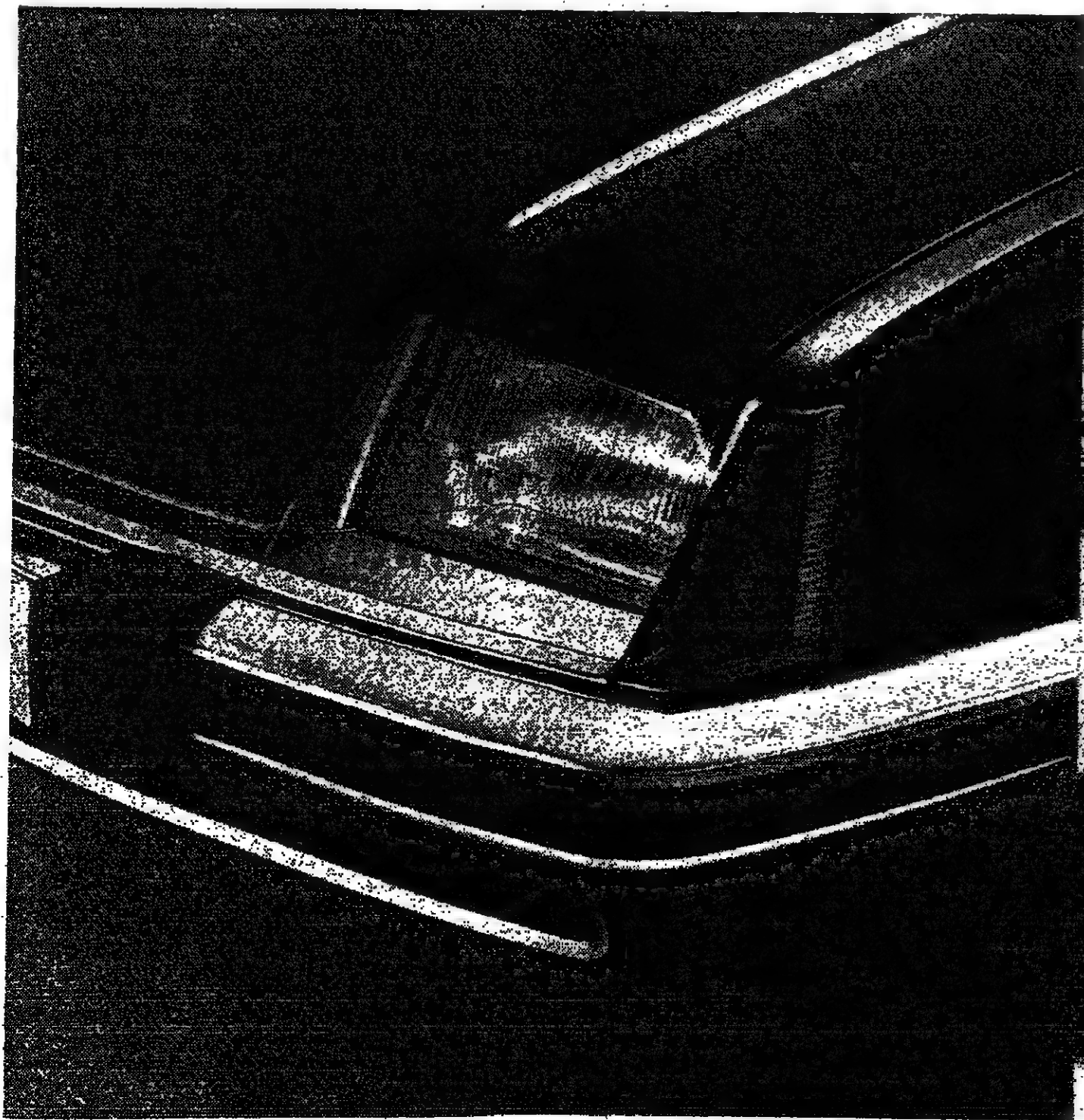
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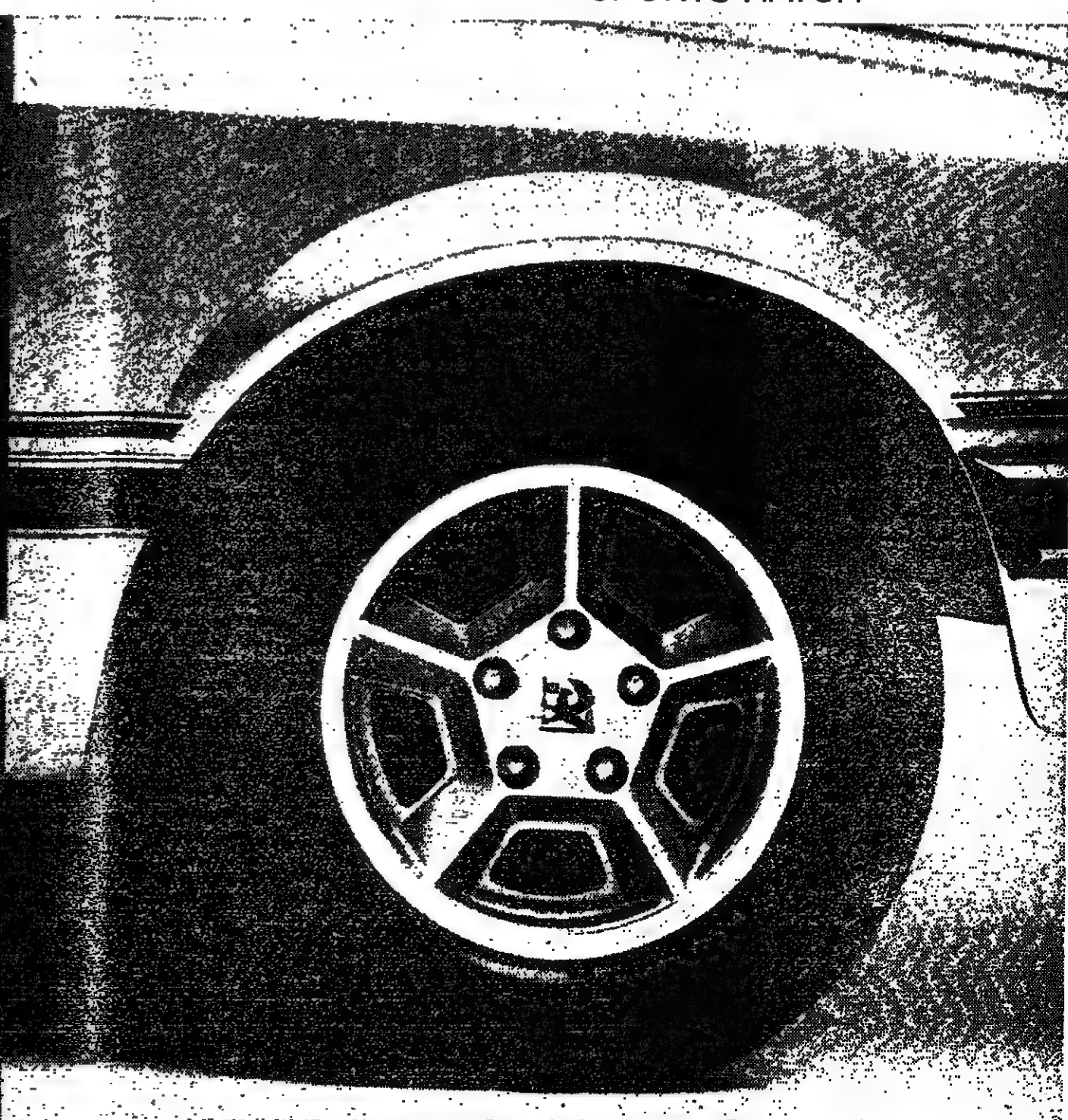
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The Morris Marina 1300 coupe



The Triumph Dolomite 1500 HL

On the next three pages our
correspondents discuss the performance of the industry
in the major European centres in the light of the major moves towards rationalisation
which have taken place over the last year.

West German performance

THE WEST German motor industry's output of car and estate vehicles increased by 4 per cent in the first eight months of this year. The figure is rather more impressive than it at first appears for the motor manufacturers last year were working flat out at full capacity.

Car makers here have been enjoying a boom in the domestic market that has swept sales and profits up to record levels. Production capacity has failed to keep pace with demand and delivery periods have been lengthening considerably even in the popular car market.

Last year the country's car makers turned out some 3.55m units—7 per cent up on the previous year's figures. At the same time exports, despite the strength of the deutsche mark, went up by 11.4 per cent to 1.84m units. While car sales are still well below 1973's pre-oil crisis record of 2.17m units, the car manufacturers have little to complain about.

This year domestic car registrations increased by only 3.6 per cent during the first half year, compared with a growth of 9.9 per cent during the same period of 1977. Exports also went up rather

slower than expected, rising by 4 per cent in the first eight months to 1.33m units.

However, although it appears that the industry's analysts are correct in that the boom has reached its peak, there are no signs that production will fall back heavily. The German public's love affair with the motor car is expected to continue. The industry's most impressive performance this year was at Volkswagen which has now more than regained its reputation which was tarnished by accumulated losses of DM1bn in 1974 and 1975.

Its powerful recovery with net profits of DM1bn in 1976—when it had the benefit of large tax write-offs—was followed up with after tax earnings of DM463m in 1977. A couple of months ago, however, the concern, which is the Federal Republic's largest motor manufacturer, jubilantly announced that this year's first half results were even better than ever. They had risen by a third on the performance of the first six months of 1977 to DM 265m.

The group has so much cash in hand—the liquidity of the parent concern alone was DM3.5bn at the half-year mark

—that the management is planning to make a major acquisition in the near future to give VW "a second leg" to offset the cyclical fluctuations in the car market. Although plans are still in the study phase, there is some urgency to the scheme as the balance sheet of the company is currently more reminiscent of a bank than an industrial company.

Perhaps even more impressive is the fact that VW has completely turned around its loss making subsidiaries in Brazil, Mexico and the U.S. Figures for the opening six months of 1978 show that Brazil's first half loss of DM 25m last year was turned into a DM 40m profit. In Mexico a DM 33m loss this year became a first half DM 33m profit, while in the U.S. where the group has started production of its American version of the "Golf", 1977's first half loss of DM21m was turned into a modest net profit of DM11m.

Strength

But if Volkswagen symbolises the resilience and strength of the industry, its history also provides a graphic illustration

of the dangers that it faces. VW lost the U.S. market more as a result of the effect of the appreciating value of the Deutsche Mark on dollar prices rather than the fact that its ageing "Beetle" model was losing popularity.

Its export performance remains relatively weak in comparison to its record in the 1960s and early 1970s. Now it appears that its domestic market is under assault from its foreign competitors. Domestic registrations of private cars show a substantial increase in imports. During the first half of the year the proportion of imported cars among the some 1.5m vehicles registered increased from 21.5 per cent in the first six months of 1977 to 32.1 per cent.

Until now the French have dominated the imports market, with the Renault marque heading the league. However, the Japanese are moving into Germany in a large way and their aggressive sales strategy appears to be bearing fruit.

Registrations of Japanese-made vehicles were up by 53.7 per cent during the first half of 1978 compared with the figures for the comparable period of last year. Admittedly their slice of the market is tiny—48,188 units in the opening six months—but there is a growing acceptance of Japanese design, quality, and, above all, price among West German consumers.

While it will be the mass car producers who will feel the sharp breeze of Japanese competition, the upper end of the

trade has also had a nasty shock. Detroit models are being introduced to the market and prices of the market which is dominated by Daimler-Benz and BMW. General Motors, which owns Adam Opel, the Federal Republic's second largest car maker, has been testing the West German response to the latest American products. The U.S. challenger, furthermore, appears to be coming rather sooner than the German manufacturers expected it. Last year it forecast that Detroit models would not be seen in Europe until the mid-1980s.

GM has been offering two cars for sale—the Camaro sports car and the Malibu classic saloon—and sales have been very encouraging for the U.S. manufacturer. Both models are very European in concept and are fully equipped to meet West Germany's stringent registration regulations.

Although they are both very American in styling terms, the design requirement—forced on Detroit by the U.S. Government's new fuel consumption and emission regulations—has for the first time brings American cars into the European league. The fact that they come with the standard American accessories package is an added incentive for buyers who are used to paying extra for everything from a cigar lighter to electric windows.

The Americans' prices are more than competitive. A Camaro, for instance, sells for DM 17,700—the price one would expect to pay for a small,

medium range BMW. Further more the decline of the dollar has enabled GM to drop its prices twice this year already—once by 3 per cent and then by 4.4 per cent.

The Germans' acceptance of the U.S. products has been more than encouraging. Projected sales for 1978 are 20,000 units—a figure that the marketing unit intend to raise by 30 per cent to 26,000 units next year. It is understood that the entire year's deliveries have been put out the moment they have arrived on the market.

Challenge

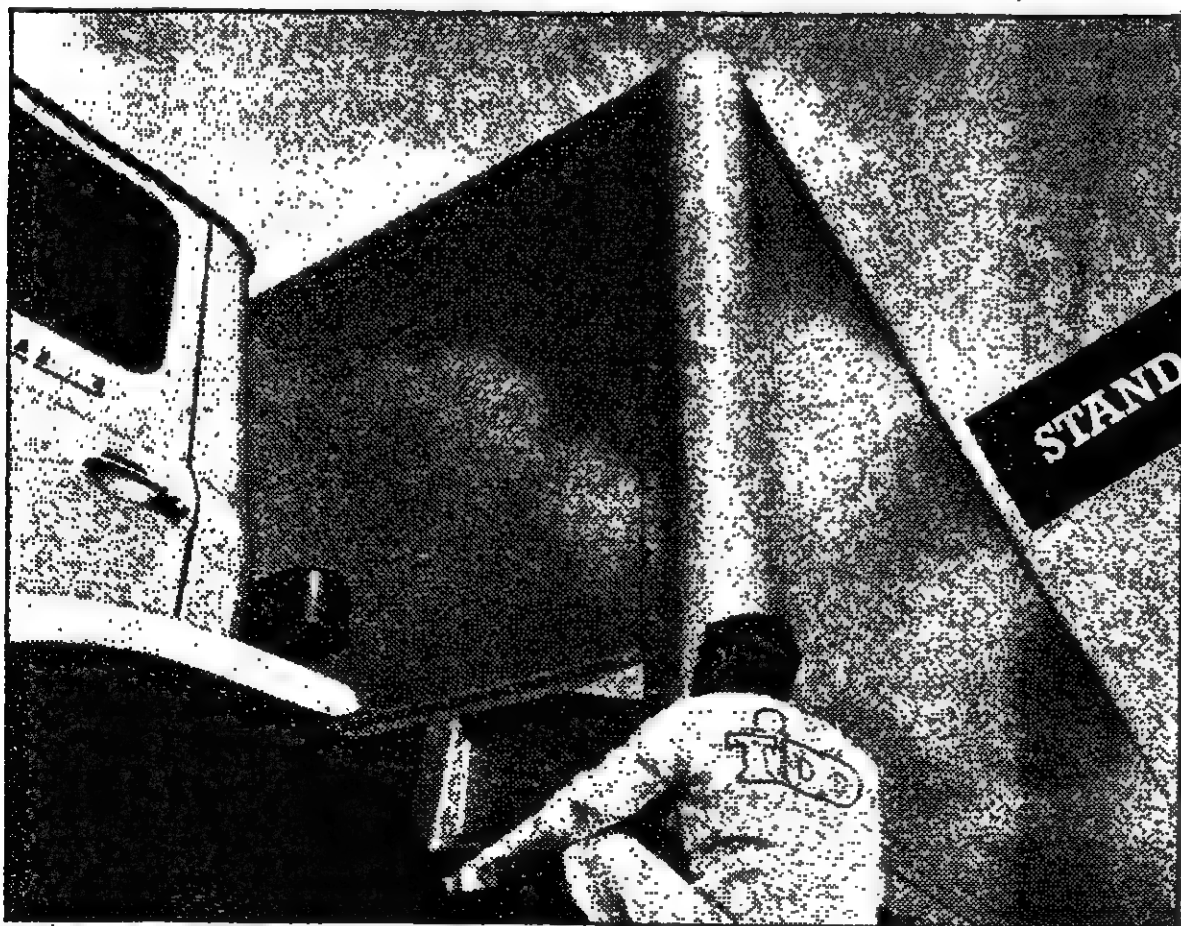
While General Motors is very coy about its plans, many of the industry's observers believe that its challenge to the up-market German producers is very serious. When one considers that customers are being asked to wait for up to four years for delivery of the lower end of Daimler-Benz's range, the opportunities for the U.S. manufacturer, quality, can seem very good.

This poses problems for the German quality car manufacturers. In order to remain competitive, they—like their counterparts at the popular end of the trade—have been investing heavily in rationalisation programmes, automating plant and eliminating bottlenecks in production. However, rapid expansion of production capacity is limited by their ability to maintain quality. All in all, the outlook for Detroit is good.

Guy Hawtin

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Swedish exports have improved

BOTH SWEDISH automobile manufacturers, Volvo and Saab-Scania, have been doing better in 1977 with export sales offsetting the slump on the domestic car market. The most exciting event of the year, however, has been the bold deal under which a holding company jointly owned by the Norwegian state and private investors is to take a 40 per cent stake in Volvo.

The export sales recovery linked with the devaluation of the krona has returned Volvo's car production to profit while it must be assumed that the profitability of Saab cars, which have been running at loss for years, has also improved. Nevertheless, these advances do not answer the questions about the long-term viability of two relatively small manufacturers from a high-cost country in a challenging world market.

The agreement negotiated by Mr. Pehr Gyllenhammar, Volvo's managing director, with the Norwegian Labour Government was a quick rebound after the breakdown last year of the merger talks between the two Swedish manufacturers. Volvo stands to get SKr 750m (\$170m) in new share capital, a partner who will have strong capital resources and access to a potential new source of income from North Sea oil.

Mr. Gyllenhammar himself saw the agreement as marking a switch from the defensive posture Volvo had had to adopt during the previous couple of years, as rising Swedish costs and a contracting world car market, ate away at its profit margins. The Norwegian connection promises to supply at least part of the cash Volvo badly needs for product development.

Contract

The final contract is not yet safely in harbour. The agreement has aroused considerable criticism in Norway, mostly from industrialists and economists but also from opposition politicians. The Norwegian Federation of Industry has queried whether Volvo's promise to create between 3,000 and 5,000 new jobs in Norway can be fulfilled. At the same time, it points out, the agreement would commit Norway to share responsibility for maintaining "extensive industrial activity and some 44,000 jobs in Sweden."

The Norwegian Government also faces difficulties in disposing of that half of the shares in the new holding company which should go to private investors. In return for compliance with the Government's

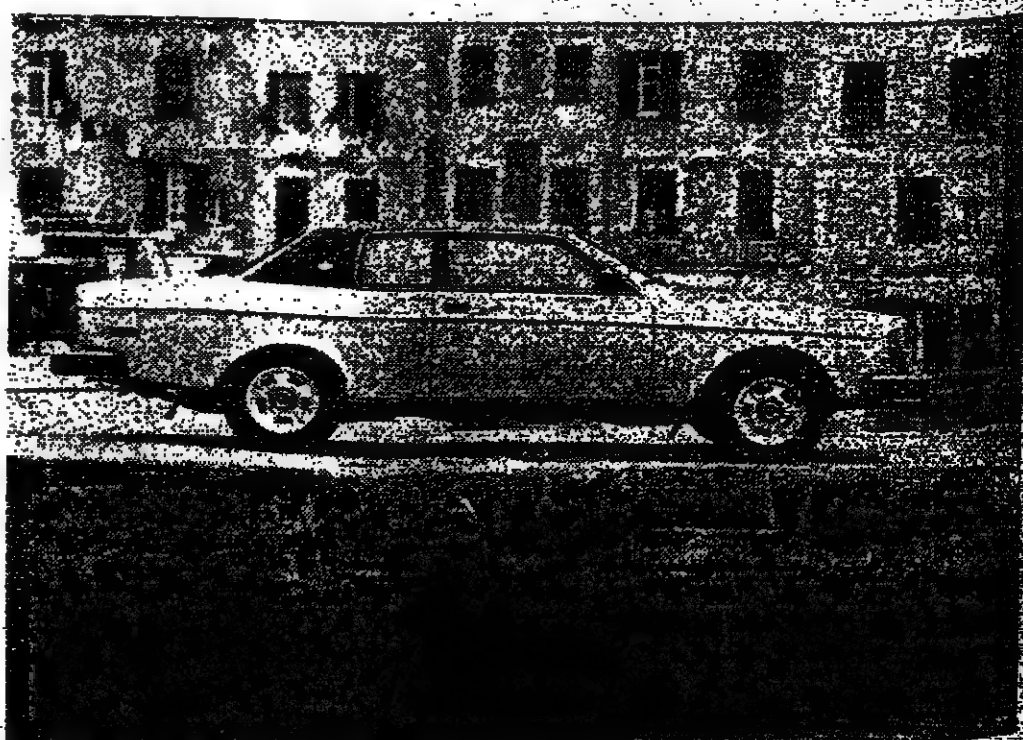
wage and price freeze the Norwegian trade unions obtained the postponement of the Finance Ministry's plans to end stock market conditions. The Government has been trying to organise a group of banks and insurance companies to take up the Volvo shares.

The timetable for the agreement has slipped and been further delayed by the collapse of the Swedish Government. The final terms were set by October 15 as planned, but means that ratification of the Parliament cannot take place until next year.

Yet, these negative developments are counter-balanced by the strong political commitment to the Volvo deal within the Norwegian Labour Government. Prime Minister Olov Norie has made it a personal issue to steer the agreement through the Storting (Parliament) for the moment the chances are that Mr. Gyllenhammar will succeed in bringing into Volvo a new capital-strong shareholder.

The prospects for completion of the Norwegian deal have certainly been enhanced by the turn-round in Volvo's performance during the first part of the year. At the half-way mark the company showed a 41 per cent increase in pre-tax earnings.

CONTINUED ON PAGE 54



The Volvo 262G

EUROPEAN MOTOR INDUSTRY V

French become a world force



The Renault 14TL

THE FRENCH motor industry is going through one of its most important periods of structural change in its history. Peugeot-Citroen, the result of the 1975 merger of two medium-sized manufacturers, has catapulted itself (and the image of French technology) into the world rankings with its purchase of the European operations of Chrysler.

The State-owned motor company, Renault, for so long used to being the country's No. 1, is negotiating for the distribution and eventual manufacture of its vehicles, particularly the new 18, by American Motors Corporation, reflecting ironically on the fact that more than two years ago it was refused permission by the French Government to discuss the acquisition of certain Chrysler assets because it would open up too great a gap between the public and privately-owned French motor sector.

On the components front, the disputed acquisition by the Ferodo group of the Ducellier electrical components company in the face of the bitter struggle by Lucas to apply what it thought was a water-tight agreement giving it first refusal of the 51 per cent it did not in already own in the company has created for the first time a European scale French-owned components group. Ferodo faces, however, a formidable task in welding a whole string of recent acquisitions — some of them in very wobbly financial condition — into an efficient group.

In the commercial vehicles sector, Peugeot-Citroen has made its entry into the heavier sector (all the French manufacturers produced light vans) via the Dodge activities which came with the Chrysler purchase. Renault, two-thirds of the way through the complete renewal of its range, is discussing an agreement with Mack whereby the U.S. manufacturer would make available medium diesel-powered trucks through its American sales network.

The contrast with a few years ago is remarkable. In 1973 Chrysler France accounted for about 15 per cent of output and

The big question-mark—discussed elsewhere in this survey — is over the British Chrysler activities.

The French company has promised that it will maintain the integrity and identity of the three component parts of its empire — Peugeot, Citroen and Chrysler, with separate dealer systems. This follows the pattern it established with Citroen. When Peugeot acquired Citroen only a very small team of Peugeot men under Mr. George Taylor went across to the new acquisition to turn it round, and a similar discretion is to be expected in its treatment of the Chrysler operations.

However, the three marques do now present something of a proliferation of models with a lot of overlap, and since the avowed purpose of the acquisition is to rank in size with the U.S. and Japanese industry and gain the consequent economies of size, a lot of effort is likely to go into achieving the maximum common use of components within a homogeneous model range, allowing for flexibility in adapting production to the demands of the market.

The refusal of the French

Government to sanction the increase in the Lucas stake in the electrical component company Ducellier from 49 per cent to full control despite the pre-emption agreement Lucas had negotiated with the seller, DBA (Bendix) illustrates another element in motor industry policy. Over the past few years a series of ailing component companies have been brought under the wing of the Ferodo group in an attempt to introduce a French name into the world market for components.

The complete acquisition by Lucas of Ducellier, according to the Government's thinking, threatened to render these efforts useless by establishing Lucas firmly as the competitor to Bosch of West Germany with a high-technology product range against which Ferodo could not compete. According to the Government scenario the ambitions for Ferodo (particularly in the field of electrical motor control equipment) would have been destroyed as Lucas and Bosch fought over the European market, leaving the French group a casualty of the inevitable price war.

Hence, Ferodo has now new capital to complete the acquisition. (at the latest count) the voting rights if not the capital of the former DBA stake in Ducellier and is confident enough of its position to announce its intention to raise much of France's overseas public funds. Giscard d'Estaing describes it, country noted for fashions, of being present at the "important rendez-vous of history." The motor industry, at any rate, is loyal to this ambition.

David Curry

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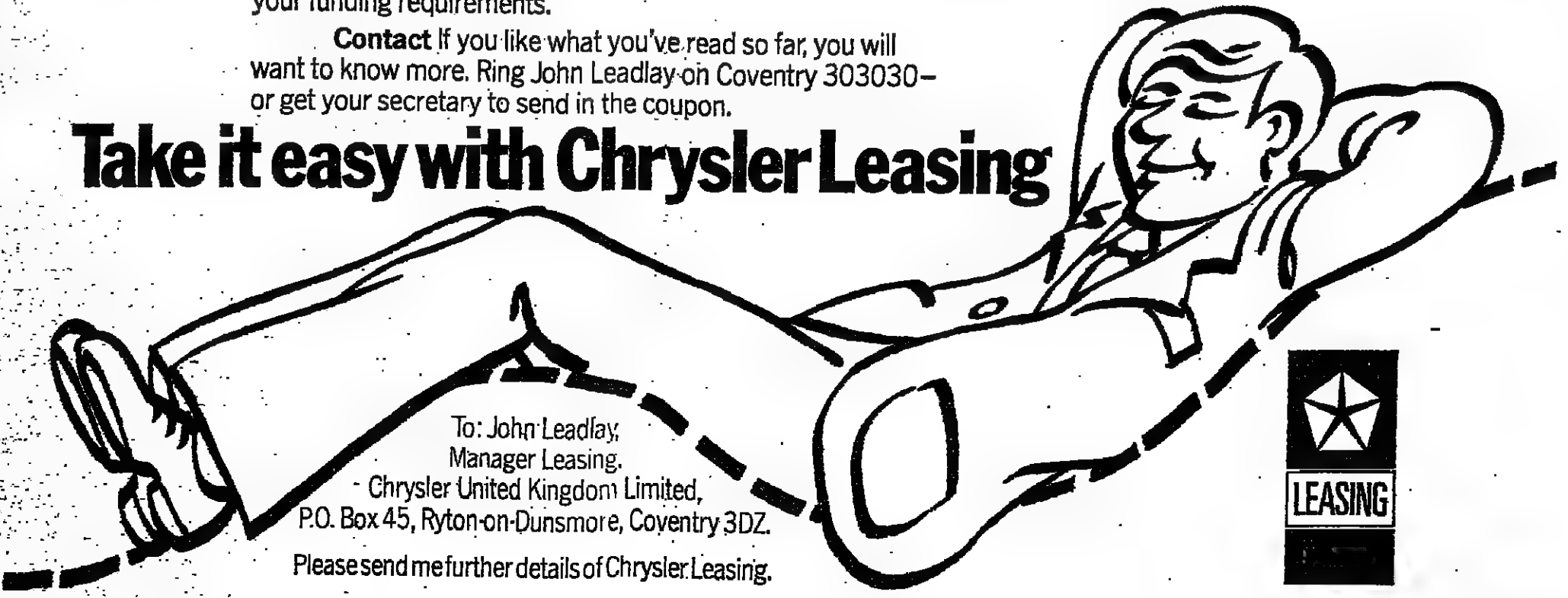
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REGISTRATION OF CARS IN FRANCE BY MARQUE	
(in percentage terms for the first six months of 1977)	
Renault	23.5
Peugeot	18.0
Citroen	16.7
Chrysler France	11.5
Ford	4.7
Fiat	3.4
VW	2.7
G.M.	2.5
British Leyland	1.3
Alfa-Romeo	1.3
Japanese	1.2
Others	2.1

some 10 per cent of sales. Citroen, which in 1974 was to lose FFr 1bn, with a reputation for technological innovation and Peugeot, with its tradition of solid but relatively conventional engineering, each counted as medium-sized concerns with around 20 per cent of sales in the national market.

Renault, with the national "mission" as an exporter and shop-window for the French industrial progress — not to speak of its more uncomfortable role as something of a mirror of French social changes — was well ahead of the field with a third of annual registrations and some 40 per cent of production.

In 1975 came the upheaval of the rescue of the Citroen group, which comprised the car manufacturing activities of the Lyon-based Berliet commercial vehicle division. Peugeot, with Government financial dowry, took the car interests, and Renault took Berliet to add to its own Savim commercial vehicle interests covering collectively just short of a half of the national market.

Peugeot fare the better. The national market for cars has remained buoyant beyond the expectations of the oil crisis pessimists. Renault, took over Berliet several years too late; it was just in time to walk into the worst recession in the commercial vehicle sector for decades — a recession which is still getting worse. Initially \$230m cash and 15.5 per cent maintaining the separate organisations of the two subsidiaries, Renault has finally merged Berliet and Savim into Renault Industrial Vehicles although the two marques remain to be at least on the home market. When its new range of light vehicles comes out next year, RIV will have remodelled the entire range based on making Berliet and Savim vehicles complementary within a unified range and emphasising the common use of components.

But with an investment programme in commercial vehicles medium-range Peugeot 305 is of FFr 5bn (now stretched but destined to be the backbone of over longer than the five years the originally programmed) RIV is same way as the competing in the unfortunate position of a Renault 18 is the pivot of the proud grandfather who has pre-state-owned company's efforts.

Careful

But the star turn of the year is, of course, Peugeot-Citroen. One must be careful not to focus too strongly on the whizz-kiddery of the 41-year-old chairman of Peugeot-Citroen (despite the double-barrelled name, the parent company is Peugeot) Jean-Paul Parayre, who came into the group with Government blessing four years ago after a career galloping through the upper ranks of the civil service. Peugeot is still a traditional company, and M. Parayre has been tempted by the personality cult. A directorate of three takes the final decisions; a lot of the leg-work on the Chrysler take-over was done by his predecessor, M. Francois Gautier, while the Peugeot family, with 40 per cent of the capital, has by no means retired to live off the glory of its name.

The Chrysler takeover, for \$230m cash and 15.5 per cent in PSA Peugeot-Citroen, would give the French group this year 18 per cent of the European market. The most desirable asset is undoubtedly the Simca French group, with half a million cars of output based on the more modest family car — the still-popular 1100, the successful 1307/8, and the new Horizon. Simca's profits record is patchy. The acquisition of the Spanish interests of Chrysler will reinforce the drive towards overseas manufacturing capacity; the new programme in commercial vehicles medium-range Peugeot 305 is of FFr 5bn (now stretched but destined to be the backbone of over longer than the five years the originally programmed) RIV is same way as the competing in the unfortunate position of a Renault 18 is the pivot of the proud grandfather who has pre-state-owned company's efforts.

EUROPEAN MOTOR INDUSTRY VI

Signs of recovery in Italy

THERE ARE signs emerging of a gradual recovery of the Italian motor industry. After four years of crisis conditions, the domestic market is expected to grow by an estimated 10 per cent this year with sales likely to total about 1.3m, but while this figure is a significant improvement over last year's total, it is still some 200,000 short of the record sales of 1.5m during the so-called "golden days" before the energy crisis.

The explanation of the much slower recovery of the Italian market compared to other European countries like France and West Germany, which turned out record production last year, is in large measure the result of the weakness of the Italian economy as such rather than the motor industry itself.

However, the Government is now attempting to introduce a long overdue recovery programme aimed, in part, at promoting a general increase in industrial output at the same time as containing the continuing increase in labour costs to enable industry to maintain export competitiveness.

The Government appears in recent weeks to have gained the broad support of the country's political and labour forces for its three-year (1978-81) programme. This has generated a degree of qualified optimism among industrialists, who nonetheless stress that the real test of the ability of the Government to enforce its programme has yet to come.

Indeed, this key test is likely to take place during the next few months when a series of major national labour contracts will be renewed involving a total of some 6m workers. Among these is the crucial

Metalworkers and Engineering Union contract which has traditionally set the pattern of wages in Italy and directly involves the motor industry. And while union leaders have generally accepted the need to moderate wage claims and accept such issues as the principle of labour mobility, there are so far limited signs that the union rank and file shares such sentiments.

Negotiations

In this sense, the labour negotiations will be clearly decisive for Fiat, Italy's largest private enterprise. The Turin group is heavily dependent on the domestic market. Its sales currently account for as much as 56 per cent of Italian registrations, and any repercussions on the Italian economy as a whole immediately work themselves down on the group's performance.

In much the same way, the attitude of the trade unions will be determining for Italy's other main motor manufacturer, the State-controlled Alfa Romeo car group. Alfa Romeo, and particularly its Alfa Sud plant near Naples, has been plagued by chronic labour difficulties which have provoked serious distortions on production levels.

Production at the Alfa Sud plant, representing an investment of some £40m, has been running at about a third of its capacity of some 250,000 cars a year. Over the past five years, Alfa Romeo has built up as a result of these production problems huge losses of more than £600m.

Next month, the State holding Istituto Per La Ricostruzione Industriale (IRI) is scheduled to take a decision on whether to inject fresh capital

into the troubled car group, and it is probable that IRI will have to call on the Government for urgent funds to keep the Alfa Sud plant open against all normal economic criteria. Already a top management reshuffle has taken place at Alfa Romeo, and despite optimism earlier this year—following a lengthy round of negotiations with the trade unions—that production could be raised, the future of Alfa Sud still looks uncertain.

Against this still uncertain situation in Italy, Fiat, for its part, has continued its broad policy of spreading its interests in other markets. While the company has been engaged in a series of deals with eastern European countries and developing world markets, Fiat has its eyes firmly set on the European community market. Its aim is to increase its present 5 per cent share of the EEC market to about six per cent to compensate the inevitable inroads of foreign manufacturers on the Italian market.

In recent months, Fiat has launched a major publicity campaign in the main community markets to promote its cars. This already appears to have paid some dividends. In Britain alone, the Turin group has seen its market share rise over the last eight months to 4.3 per cent with sales increasing by 10 per cent compared to the same period last year.

The group is also launching on the community market this month its new range of models, including the Fiat Ritmo and the Supermirafiori 131 together with new diesel models. As a result of the introduction of the new A112 model, Fiat's Auto-bianchi sales in the first half of the year increased by 24.3 per cent, and the group is relaying

on its more prestigious Lancia range to build up its presence on the European market.

At the same time, Fiat is now on the verge of completing its reorganisation programme started in the early 1970s. This will transform the group into a series of operating companies under the control of a central holding company to give each individual sector greater autonomy and flexibility. At a shareholders meeting last month, Sig. Giovanni Agnelli, the Fiat chairman, announced the creation of an independent car subsidiary incorporating Lancia under the control of the Fiat parent company. The car subsidiary will be the last new operating company to be set up in the reorganisation plan, which has seen the creation of a series of other such companies for each individual industrial sector in which Fiat is involved.

In the longer term, Fiat's strategy in the motor sector is committed to a broad European policy to rationalise the European car industry to enable it to compete with the big U.S. and Japanese car groups. Sig. Agnelli has said he favoured the merger between Peugeot Citroën of France and the UK Chrysler groups European activities, but such mergers are at the same time putting pressure on the Italian car industry, which has had to rely increasingly on exports. Indeed, Fiat has for long argued against Japanese imports to Europe and the setting up of a 10 per cent limit of the Japanese share of the EEC market.

In recent years, Fiat has concentrated its main efforts in its non-motor activities. This has led, for instance, to the setting up of the Ireen commercial

vehicles group, itself representing something of a lead in the process of European industrial integration.

However, Fiat now appears to be intent in returning to its primary vocation of the car business, currently accounting for about 40 per cent of the group's overall business. A large slice of the group's three-year L3bn investment programme is to be dedicated to car activities and the Turin group is also seemingly looking towards its Spanish associate, Seat, to help return to the top positions of the European car manufacturing league. Indeed, Fiat is currently holding talks with Seat which could eventually lead to Fiat taking a larger stake in the Spanish concern.

Paul Betts



The Alfasud from the Alfa Romeo range

Swedish manufacturers

CONTINUED FROM PAGE FOUR

SKR 395m while sales had climbed 21 per cent to just over SKR 90p. The profit margin rose to 4.7 per cent of turnover in the second quarter, still far below the 10 per cent recorded in 1973 but a considerable improvement on the 1977 level.

Car sales climbed by 22 per cent to a first-half total of SKR 4.9bn. This gain was largely due to the benefits of last year's devaluation but also reflected a five per cent volume increase. This in turn was made possible by the stock reducing policy Volvo adopted in 1977, which has opened the way for higher production this year, as dealers replenish stocks.

Around 135,000 cars were delivered to the final customer in the first six months. Volvo boosted sales outside Sweden by some 11,000 cars or 11 per cent, increasing its market share in almost all its markets. This gain offset the decline of about 10,000 cars in domestic sales, where however Volvo maintained its market share.

Volvo has been pursuing an offensive market policy, passing on to its customers the major part of its devaluation gains and even cutting the price of its 240 models on the Swedish market. This has substantially improved its price competitiveness, particularly against the German cars, but leaves open the question of how long it can push for volume increases at the expense of profit margins.

After dipping into the red last year Volvo's car business is understood to be back in profit but earnings are still far from adequate and the car factories are still operating well below capacity, even though output has been raised and more workers taken on in Gothenburg. The real profit generators remain the trucks and the aircraft engine production for the Swedish Air Force.

Volvo still has to bring its Dutch car production into profit, although here too there has been a radical improvement this year. The European sales of medium-sized 343 are reported to have climbed by around 40 per cent during the first half of the year, while in Sweden the Dutch-built car became the third best seller. Rebuilt with a manual gear box and with the production problems occasioned by its pre-

mature launching ironed out, the 343 now appears to be in a much stronger position to fulfil Mr. Gyllenhammar's hopes of capturing a larger segment of the market for Volvo. Last year's results were dismal. The Dutch factory at Born produced only 54,500 cars (including the 46 and 66 models as well as the 343) and returned a loss of Fl 125m (\$57m).

But the new arrangement under which the Dutch Government has increased its equity stake in Volvo cars by 45 per cent and made available interest-free loans gives Volvo a breathing space until 1980 to get the Dutch operation properly organised and profitable. There is still a long way to go. The Born plant needs to build about 100,000 cars to return a profit.

Volume

Saab-Scania has adopted a different policy from Volvo's. Instead of competing in price and pushing for volume, it is steadily moving up market into increasingly specialised models with larger profit margins. The cheapest of its new 900 models is some 20 per cent more expensive than the regular Volvo 240 car.

Saab is investing about SKR 135m (\$30m) in new production facilities for the 900, which has a re-designed chassis and a longer wheel base, giving it a claimed exceptional road behaviour. The turbo car, which was highly favoured in the trade press, and the 900 make up the spearhead of Saab's campaign to build its own niche in the specialist market. They could also be seen as the

final effort to prove the viability of car production at Saab-Scania. The abortive merger with Volvo was largely the idea of Mr. Marcus Wallenberg, Saab-Scania's chairman, and was prompted by the knowledge that the Scania truck division had to "carry" Saab's loss for several years. With the breakdown of the merger talks the Saab engineers are now asked to demonstrate that they can produce cars at profit.

Their performance this year has been promising, even though the investments involved in producing and marketing the new models will probably shake any immediate move towards profit. Car sales advanced by 14 per cent to SKR 1.5bn during the first six months and encompassed a volume increase of about 5 per cent on foreign markets.

Deliveries to the U.S. market rose by 15 per cent to over 9,000 cars during the first seven months, while on the home market which normally takes over half its output, Saab succeeded in increasing its share from 11.5 to 12.5 per cent during the first six months. By October the management was sufficiently encouraged to raise the production level to 30,000 cars a year.

This is still some 20,000 below capacity and below the level it had previously been assumed Saab would need to yield a profit. But last year Saab delivered less than 70,000 cars and allowing for the higher profit margins on the new turbo 900 cars, it must be gaining ground.

William Dullforce

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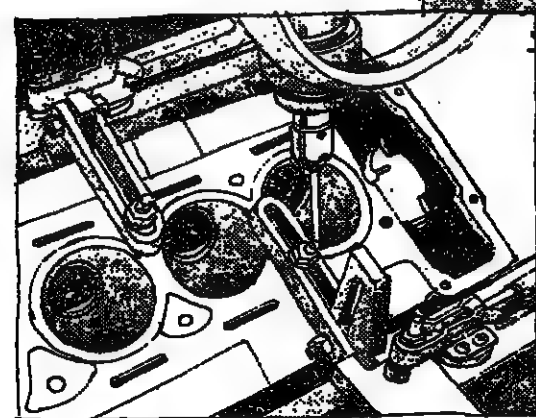
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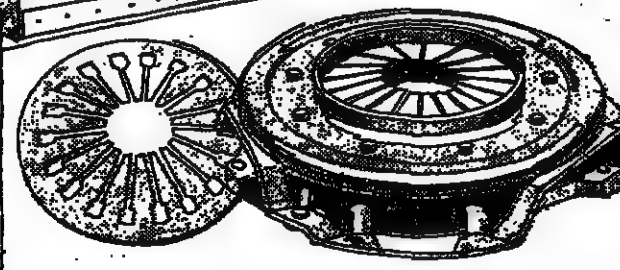


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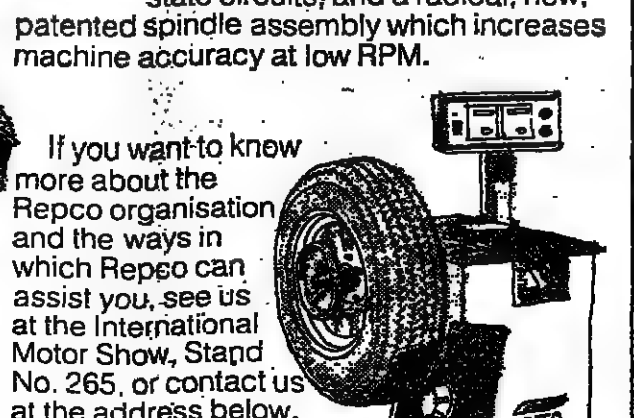
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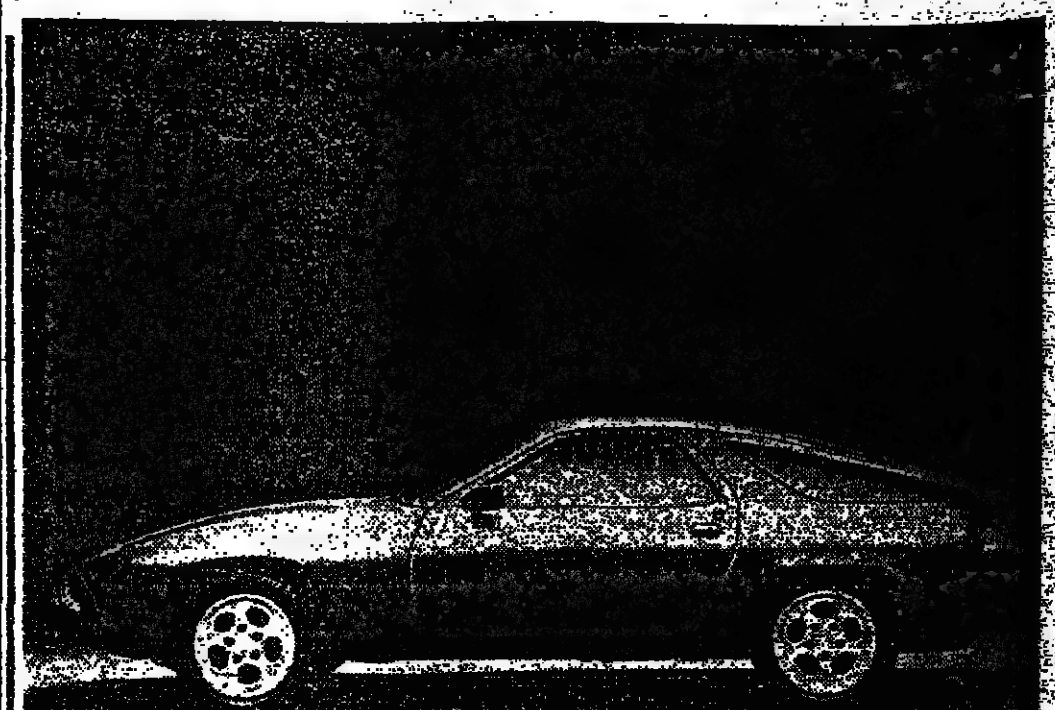
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EUROPEAN MOTOR INDUSTRY VII

The next section examines the different market sectors and discusses the new models that have been introduced recently. Manufacturers are now adopting a policy of attempting to offer to their customers a complete range of models.

New approach to model policy

ONE OF the most striking features in the development of model policy among the European car companies during the past few years has been the establishment of a new approach to model policy based on offering customers a complete range. This is a relatively recent change. Twenty years ago many European car companies made only one basic model. In the mid-1950s, for example, Peugeot's success was based simply on the 203 model; and even more recently, while Volkswagen had little more than the Beetle to offer, Citroën was existing on a bizarre combination of its compact 2CV range and its large luxury DS Series. Today, every European producer of note tries to span the three basic zones of small, medium and large cars.

This strategy is based on the need to achieve large-scale manufacturing both to reduce costs and maintain more effective distribution. On the cost side, a wide range of cars means that many components can be produced in longer runs and therefore more cheaply; because they can be used in more than one model, on the distribution side, a variety of vehicles gives dealers the opportunity to create larger and more viable businesses.

To achieve these aims, two distinct policies have been developed and refined by European manufacturers in the past ten years. The first approach, popularised by Ford, has been one of ruthless rationalisation. Although the company has recently expanded its coverage of the market by adding the small Fiesta model at the bottom of its range, it still has only four basic models (the Fiesta, Escort, Cortina, and Granada) throughout Europe. The sporty, fastback Capri model, which has proved immensely profitable for the company, uses mostly Cortina

parts except for a few body panels.

This policy allows Ford to appeal to a fairly select executive market at the top end with the Granada (designed with a very close similarity to a Mercedes), and to the small family saloon market with the Fiesta. At the same time, vehicles are driven by a range of only four different engines, which may be further reduced in numbers when the new plant in South Wales comes on-stream; and the company is believed to have plans to build its future range of cars on the basis of only two body pans (the bottom pressing on a car which is the most difficult to make).

No other company in Europe has quite achieved Ford's degree of rationalisation, although Opel and Volkswagen have moved in the same direction. Indeed another group of manufacturers, led notably by Renault, has sought to achieve wide market coverage by an entirely opposed method of model proliferation. Renault's concept has been to spawn new models regularly, filling niches in the market and not necessarily abandoning its established vehicles. The result is that today it has eight extant models to cover the same market as Ford embraces with four.

Renault's approach has proved ideal for a company in a rapid growth phase. It has been expanding so quickly that each new model has been able to move the company into a new area of demand and it has had sufficient backing from the French State during this period not to have to worry too deeply about profitability.

Intrinsically, of course, this approach to model policy must be more expensive than Ford's. But it is not necessarily as expensive as it looks. Renault, for example, has achieved a great deal of rationalisation in

its cars under the bonnet—it uses a range of five engines only—and has reduced component costs by entering into a number of joint manufacturing agreements with other groups. Its use of hatchbacks, rather than a variety of saloons and estates, across most of its range also helps to cut down on panel production.

The biggest dilemmas in model policy, however, have probably been faced by the specialist producers in the past decade. Their problem is that they are being attacked by the popular car manufacturers, who are all adding quality cars to the top of their ranges, while being

unable to achieve more economic production runs or to offer their dealers a variety of models. At the same time, they are now faced with the need to reduce fuel consumption.

In Sweden, Volvo has approached this problem by moving into the medium-size family saloon market with the acquisition of Daf in Holland. In Germany, BMW has also given greater variety to its range by attacking Mercedes at the top end with its luxury 7 series limousine, and designing two ranges of compact and medium size saloon models. Mercedes itself is believed to be considering a move into the medium-size

family saloon market smaller than its 200 Series, partly because of the need to achieve better fuel economy results in the important U.S. market.

Thus, at present, there is a clear move towards the convergence of the specialist and volume car manufacturers in Europe. Some analysts argue that this will ultimately lead to more mergers and industrial rationalisation, rather in the way that General Motors absorbed Cadillac, the U.S. specialist manufacturer, in the 1920s. To a certain degree, this has already happened with the takeover of Rover and Jaguar by BL in the U.K., of

Lancia by Fiat in Italy, and of Audi by Volkswagen.

The argument against this trend is that such amalgamations are intrinsically difficult to manage. BL has gone bankrupt in the process, Lancia has lost £150m since it was taken over in the late 1960s, and VW also went through a difficult patch in 1974-75. But if European companies continue to pursue the principle of comprehensive model ranges—and all the pressures of the market are in that direction—it is difficult to escape the logic of further amalgamations.

PERCENTAGE OF TOTAL CAR SALES IN 1977

Country	Small cars	Medium cars	Large cars
Britain	16	59	25
W. Germany	15	46	39
Austria	16	56	28
Belgium	21	49	30
Finland	18	64	18
Denmark	23	59	18
France	35	43	22
Ireland	19	69	12
Italy	52	33	15
Netherlands	19	61	20
Norway	10	51	39
Portugal	45	48	7
Spain	47	47	6
Sweden	8	43	49
Switzerland	17	50	33
All W. Europe	27	47	26

T.D.

*Denotes nine months actual sales, final quarter estimated.

The medium range

ALTHOUGH, AS might have been expected, sales of small cars did well after the oil crisis, the major long-term impact seems to have been on the medium-car market. It has climbed steadily ever since and last year represented 47 per cent of the 9,88m cars registered in West Europe.

In some countries the medium-sized car was well ahead of the rest of the field. In Britain, for example, it accounted for 59 per cent of total sales last year. In Denmark the percentage was 59, in Finland 64, Austria 56, Ireland 69 and the Netherlands 61.

The main reason seems to be that this is the type of vehicle which best fits the needs of the average family, providing four to five seats, reasonable room inside, adequate luggage space and economy combined with reasonable performance.

The kind of car to fill these specifications is typically represented by the Ford Taurus or

Cortina (same car, different name) which, in fact, last year was the best-selling vehicle in this market sector in the whole of West Europe. It took 4.1 per cent of total sales of cars of all types.

In European terms, in 1977 the other popular medium-sized cars included the Volkswagen Golf, 3.7 per cent of sales; the Opel Kadett, 3 per cent; the Opel Ascona (or Vauxhall Cavalier in its British form) 2.9 per cent and the Ford Escort with 2.8 per cent.

All the major manufacturers have at least one model in this part of the market and it is extremely competitive. So only in a few countries is there one model which outpaces the others in sales by a reasonable distance. In Britain by mid-1978, however, the Cortina has a commanding lead with 11 per cent of total car sales compared with the 7.5 per cent taken by its stablemate the Escort.

In Italy, too, the mid-year

market leader was well ahead of the rest of the field. The Fiat 128 had 7.4 per cent of total sales and its nearest rival the Fiat 131, had 4.1 per cent. One company also dominated the competition in West Germany. The Volkswagen Golf had 8.3 per cent of total sales and the Passat 6.2 per cent, both above the Opel Ascona's 5.9 per cent.

Lead

Elsewhere in the major car-buying West European countries, the Taurus was Belgium's best-selling medium car with 3.8 per cent of total sales with the Toyota Corolla taking 2.9 per cent in second spot. The Citroën GS held the lead in France in mid-1978 with 3.5 per cent of sales ahead of the Simca 1307/8 with 4.7 per cent. How long they will hold this lead in France is a matter for conjecture. No newcomers, the

Horizon from Chrysler and the Renault R18 introduced only in April, have proved exceptionally popular. The Horizon clocked up 4.6 per cent of total sales and the R18 2.9 per cent; half way through this year, the Horizon actually took 6.3 of the market in the month of June.

In the Netherlands by mid-1978 the Opel Kadett had taken 6.7 per cent of sales with Ford's Taurus at 5.6 per cent. In the Government-controlled Spanish market, the Seat 131 had 8.3 per cent at the half-way stage, in 1978 and the Seat 124 had 8 per cent. A feature of the market this year has been another Chrysler success. The 150, new to Spain this year, has captured 5.9 per cent.

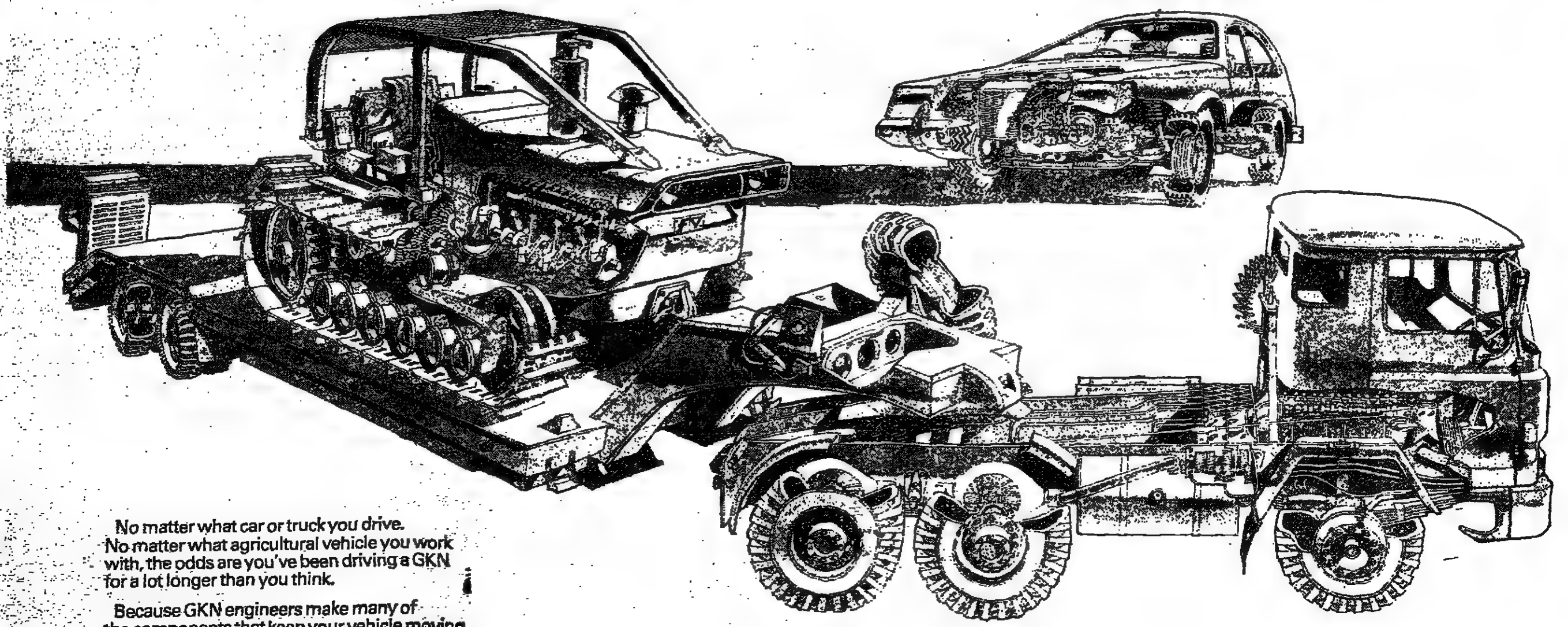
The popularity charts illustrate, once again, that the indigenous European car manufacturers rely heavily on their home market to keep up their sales. In particular Fiat had 55 per cent of its home market at mid-1978, and Renault 33 per

cent of French sales. Only in cars in Belgium half way through this year. And in the Netherlands there were two Japanese models among the top 10 medium cars, the Mazda B18 having 3.5 per cent of the market and the Datsun Sunny 2.1 per cent.

As might be expected, there is an almost constant trickle of new contenders in the medium part of the market. Apart from Horizon from Chrysler this year (it sold more than 100,000 units in the first six months in France and will do well in the UK now it has been launched) and the Renault R18, the Peugeot 304 and the Fiat Ritmo entered the field in 1978. And Volvo's chances of making better inroads into the medium sector should have improved now there is a 343 which has a manual gearbox as well as the Variomatic automatic change carried on from the old Dai

days. Kenneth Gooding

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EUROPEAN MOTOR INDUSTRY VIII

Estate cars broaden their appeal

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ONE CAN either view it as a revolt against increasing standardisation which makes so many cars look alike, or more and more people seeking a vehicle that will perform a number of jobs and because of its individuality will be fun to drive. However, one views it, there can be no doubt of the growing interest in off-the-road machines. This is not especially because they will spend a lot of their time driving along forest tracks, across fields or up mountains, but because they fit better into a society that is increasingly being labelled DIY.

The estate car, with its bigger load-carrying capacity took time to broaden its appeal with motorists partly because the country's ratio of car-owners was relatively small and the two-car family was just beginning to emerge, and partly because estate cars were not widely available. It was also easier to find artisans and others to come and take away the tree loppings, to bring the

bricks, sand and cement and so on.

Owning a dual-purpose car could often avoid the need to rent a van for the odd occasion, like taking the furniture home from an auction.

The gap between a full-blown estate car and a family saloon has been nearly bridged by the hatchback, but it still leaves many people looking for something that will tow the caravan across muddy sites or the boat over the seashore. An off-the-road or rough terrain vehicle which at one end of the scale will double as a family runabout and at the other cope with rugged farm and cross-country conditions, or be just the job for a one-man bricklayer's or carpenter's business, is answering a lot of different requirements.

Unhappily a good many of these vehicles are imports, perhaps because of the dominating influence of the Land-Rover or, in the saloon-type class, the Range Rover. Both models are top of their class and their per-

formance is unexcelled. The Land-Rover is as much at home in the arid Middle East or swamplands of South America as the Range Rover is standing outside the office or towing the sailing boat. Both are sophisticated machines and not cheap. What many people are looking for is something simpler and in the price brackets they can afford. A differential lock to provide two-wheel drive, plus perhaps a winch to enable it to be towed out of trouble, is all they are looking for.

Chrysler's Matra Rancho from France flatters the outdoor, rugged ego and is a useful vehicle for poor conditions, but it should not be over-relied on for getting out of mud, since it has a conventional drive which allows a rear wheel to spin. The French call it a "car for all roads," and this is as good a description as any. Some of the challengers in this field come from Eastern Europe, like the Lada Niva, a short wheel-base saloon from the Togliatti factory

in Russia. The drive from the 1370 cc version of the Fiat engine is taken back through the gearbox to a fore-and-aft differential lock which can be engaged on the move. The change from high to low ratio can also be done on the move with some gear crunching, and is best done at rest. An output of 50,000 a year by 1980 is planned. The Subaru from Japan is an interesting example of a two or four-wheel drive estate in which four wheel drive can be engaged on the move, and is partnered by a pick-up.

The power unit for the models is a horizontally opposed four cylinder, 1600 cc water cooled aluminium alloy engine driving the front wheels. It runs on two star petrol. Another newcomer is the Portuguese version of the Rumanian designed ARO, the Portaro, which has a Daihatsu 2.5 litre petrol or diesel engine. Included in several European components are Girling brakes. It has been seen only by the trade, but the intention is to import 1,250 next year.

Flanking the Land-Rover on either side are the Yak Yeoman, a utility vehicle based on the 1300 cc Ford Escort van from Manchester Garages (Motor Craft), and the Stonefield Vehicles duo from Scotland with carrying capacities of 1½ to 3½ tons. In their very different ways they complement the Rover range rather than compete with it. Significantly both are receiving official financial support, with the Scottish Development Agency having taken a 75 per cent stake in Stonefield, whose chairman is former Rover managing director, Mr. Bernard Jackman. The Yak Yeoman is still in the pre-production stage, with 30 vehicles expected by the end of the year, of which 40 will have left hand drive. This indicates the markets at which it is aimed, primarily the developing countries where repair and servicing facilities are fairly rudimentary.

By linking with Ford the vehicle is assured of world outlets and service back-up facilities. The 1300 cc power unit comes complete with carburettor, plan, belts, dynamos and

other components. The rear axles are being modified to incorporate the Suredrive differential locking device designed by Mr. Bob Stoodley, Manchester Garages chairman. This is an indexing device in common use in plant and machinery. On a corner it allows the outer wheel to free-wheel, and power to both wheels is restored when they are again rotating at the same speed. When one wheel spins on muddy ground power is transferred to the other until both are turning at the same speed again.

This indexing, or ratcheting occurs up to five times a second. The vehicle is also fitted with a winch, so that it can pull itself out of trouble. A strong feature of the design is its simplicity. The chassis is in seven parts in tubular section with the idea that any reasonably competent amateur mechanic can take it apart or put it together. The six body panels are in T's new lightweight alloy Supral, and the wing pressing fits any corner of the vehicle, while the dash panel accommodates both left and right hand drive. The original gearbox fitted with the Sure-drive weighed 148 lb, but this has been redesigned by Fairley Winches and now is down to 38 lb. The vehicle weighs about 165 cwt and should sell for around £3,000. A 1600 cc version called the Yak Yarriman, is in prospect for the Australian market, Yarriman being aborigine for a willing horse.

Like the Yak, the two Stonefield vehicles borrow major components from vehicle manufacturers with worldwide networks. The power units are standard Ford 3-litre or Chrysler 5-litre engines with automatic gearboxes allied to Ferguson Formula units made by Borg-Warner that deliver one third power to the front wheels and two-thirds to the back. A self-energising clutch automatically locks to prevent wheel spin. The vehicles are, as will be appreciated from this brief description, sophisticated units of robust construction for civilian or military duties.

A nearer competitor to the Land-Rover is the Daihatsu, with a 1800 cc engine driving the rear wheels and looking vehicles they are linked more closely with leisure pursuits than with the more rugged image of the Land-Rover. Its stable mate, the Range Rover is likely to feel the impact more.

The variety and numbers in which these imports are coming in illustrates vividly the rapidity with which the market is developing in volume and range. While some of them challenge the Land and Range Rovers, it is sometimes more apparent than real. The Land-Rover has been around for 30 years and the Range Rover for nearly 10. They cover fairly well-defined sectors of a very difficult market to get into. Rover's strength can perhaps be illustrated by the reminder that it is one of the very few, if not the only company to have shaken off a Japanese challenge (from the Landcruiser) and to have come back even stronger, not least because Rover has been chosen as the better vehicle.

All the same, production of 45,000-50,000 Land-Rovers and around 10,000 Range Rovers a



The VW Polo GLS, new for the 1979 model range

year has been steady in a market that has been growing by about 5 per cent annually and now looks to be accelerating. As long as the first phase, costing £30m in an overall £280m programme to modernise and expand output has been started, this is designed to increase Range Rover production by 50 per cent and Land-Rover by 10 per cent. By the time the project has been completed, production will have been doubled to 100,000 units or more annually, with updated and more sophisticated vehicles that nevertheless will retain their basic concepts. No one is going to take Rover's 85 per cent of business, with governments or its dominant place in the home market away without a fight. "We have to keep in our toes to protect the sectors of the market we are in for the future," says Mr. Mike Rodkinson, Land Rover's managing director. "We are not thinking of branching into new sectors." That will be up to people like Manchester Garages and Stonefield Vehicles.

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Peter Cartwright



Chrysler's Matra Rancho—the French call it a "car for all roads"

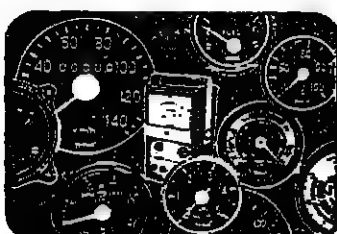
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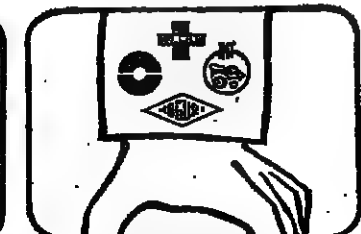
OUR RANGE

OUR QUALITY

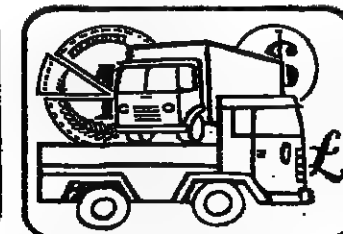
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Americans attack the top end of the market

THE BRITISH will get their first chance to see General Motors' contenders in the up-market car sector at the International Motor Show in Birmingham. On view will be the Opel Senator and Monza, together with their UK equivalent, the Vauxhall Royale. The Vauxhall Carlton, really an Opel Rekord under the skin, will also be launched. "These are the cars with which GM is to make a determined push into the market for "push" cars—plush that is in terms of size and interior trim.

GM says boldly that the Senator-Royale models can take on Mercedes, BMW and Jaguar. A claim which clearly must be taken with a large pinch of salt but which neatly illustrates GM's approach. Ford, GM's major rival in world terms, took the lead in Europe in this particular marketing ploy. The Granada has been on the market long enough to warrant a new version, launched in Frankfurt in September.

The American groups simply could not ignore a sector of the European market which represents not only about 25 per cent of total sales (actually 26 per cent in 1977 or 1978 units) but is also the most profitable end of the business.

They now also have "executive" cars worthy of the name to offer the fleet buyer who prefers to purchase all his vehicles from one manufacturer. Ford's chairman Sir Terry Beckett frequently reminds us that "Ford can supply everything a company wants from an Escort for the junior sales rep. right through to a Granada Ghia for the chief executive."

The American companies have responded to the marketing strategies of the indigenous European producers in the last ten years. During this decade Volkswagen, Fiat and BL acquired specialist producers which have been added to the

top of their ranges to give them a very broad coverage of the market.

The French trio (later to become a duo) Renault, Peugeot and Citroën followed the principles of this marketing philosophy by developing their own executive cars. The result is that Europe has a large number of companies offering quite similar product ranges and all attracting reasonable slices of the executive car market.

In 1977, for example, Mercedes models accounted for 3 per cent of total Western European car sales, at around 295,800 units sold. The Peugeot 504 range had a 2 per cent share with around 197,200; Opel's Rekord had 1.9 per cent or 187,300; Ford's Granada 1.8 per cent or 177,500 and the Audi 100 had 1.6 per cent, about 158,000 cars sold.

Of course, demand for larger cars is stronger in some markets than in others. It is almost possible to plot a chart of those countries with Europe's highest standards of living simply by referring to the sales of big cars. The share of the available market taken by large cars in 1977 was particularly high in West Germany (39 per cent), Norway (39 per cent), Sweden (49 per cent) and Switzerland (33 per cent). And last year provided a fairly typical demand pattern in all these countries. There is one particular anomaly. Denmark's low percentage of large cars sold—16 per cent—reflects a system which taxes cars by size and grows progressively steeper at the top end of the scale. The French performance in this sector, too, shows some impact of taxes which rise very sharply on cars over the 2-litre mark.

It is interesting, in passing, to see how the individual models were placed in the major European markets halfway through 1978. In Britain the Granada topped the list with 2.5 per cent of total sales (not just those in the big car sector), closely followed

by the Austin Morris Princess (2.4 per cent) and the Rovers (all engine sizes) 1.9 per cent.

Volvo had a useful 1.3 per cent. In West Germany the Opel Rekord accounted for 7 per cent of total car sales; the Mercedes 200 series, 5.7 per cent; the Granada and Audi 100 each had 4.6 per cent; the BMW 300 series 3.2 per cent and the BMW 500s had 1.6 per cent.

The Peugeot 504 topped the list in Belgium with 3.6 per cent of all car sales. The Opel Rekord followed with 3.5 per cent; the Granada had 2.3 per cent; the Citroën CX 1.7 per cent; the BMW 300s and the Mercedes 200s each had 1.6 per cent and Volvos 1.5 per cent.

Popular

The Peugeot 504 was also the most popular big car in France with a 5 per cent market share half-way through 1978. Citroën CX, 3.6 per cent; Renault's R20/R30 series, 3.5 per cent; and the Renault R16, 1.7 per cent, followed.

With a 3.2 per cent total market share, the Peugeot 504 was top of the big car list in the Netherlands, too. There was a big gap before the Opel Rekord came into the reckoning with 2.6 per cent; the BMW 300s had 1.5 per cent; and the Granada 1.1 per cent.

Publication of statistics in Italy is always well behind the rest of Western Europe. But it is possible to estimate that in 1977 the Alfa Romeo Alfetta was Italy's favourite executive car with 2.7 per cent of the market, followed by the Lancia Beta, 2.1 per cent, the Fiat 132, 1.7 per cent and the Rekord with 1.1 per cent.

These placings might not be particularly illuminating except that they show that individual European markets prefer local products when they can get them. They also show that, just as in the small sector of the market where the Mini still has its adherents, an ageing model

like the Peugeot 504 retains a great attraction among the bourgeoisie of Europe.

The 504's brother, the Peugeot 604, is certainly one of the most interesting of the new entries to the executive market in recent years and appeals to the conservatism of many buyers in this sector. But, unlike the two other big French executive cars, the Citroën CX and the Renault 504, it was not designed to be made in large numbers.

It is a pity that the various problems and constraints which have bedevilled production of the Rover in the UK has not allowed the car to test its full potential in Europe. There is no doubt it appeals to the Continental Europeans because it followed a Car of the Year award with a major Italian styling prize.

The policy within BL's Jaguar-Rover-Triumph division at the moment is for Rover to take responsibility for big executive models, Triumph for sports cars and Jaguar for the top-of-the-range, Mercedes-type vehicles. The new Rover plan has a capacity of about 150,000 units a year, and Jaguar of about 40,000. For most of this year Rover was working at only one-third of nominal capacity but output has recently been increased and JRT executives are taking a new look at Continental distribution arrangements to prepare for the day when there are enough Rovers available to make a European re-launch a reasonable proposition.

In spite of continuous chat about over-capacity in the big car sector, BL is not the only company to have become involved in considerable capital expenditure recently. Mercedes, with a current manufacturing potential of about 370,000 units a year (and a 40-month waiting list in Germany) is expanding by launching a new range of estate cars which will increase annual output to around 430,000. Elsewhere in Germany, BMW has remodelled the whole of its

range, since 1975. It made 275,000 cars last year and is aiming for 285,000.

Volkswagen has settled into a strategy which gives the Audi marque responsibility for its big, quality cars. Production of the new 100 model is touching capacity at nearly 200,000 units a year. And the Audi 80 has been enlarged and remodelled to considerable effect.

In Italy Fiat has made Lancia a separate organisation responsible for a range of more luxurious cars, in the VW-Audi pattern. Total capacity of Lancia is about 80,000 a year but this includes Autobianchi, the Mini-type market, the Benetton in the middle sector, as well as the new Gamma at the top of the range.

Output

Volvo's potential output of big cars is 250,000 a year. Its Swedish neighbour, Saab, has been losing money on its car business and has cut back production to about 100,000 units annually.

This leaves Ford and General Motors to be dealt with. Ford has transferred all production of the Granada to Cologne in Germany and output there has been at the rate of more than 300,000 annually. Output of Opel's Rekord is running at about 180,000 a year, with the new Senator and Monza (together with their UK equivalents) having a planned production of around 30,000 next year. The combined capacity of these producers is close enough to the present level of demand to pose no immediate danger of over-production in car terms. But there is clearly going to be much more going for position in the next few years. And if the two American giants do succeed in pushing their shares of this market segment, somebody else will lose out. That could make the very difficult for some of the smaller companies.

Sports cars retain their share

Traditional

Last year and in 1976, however, in this sector of the market around 24,000 cars were sold, representing a "typical" 0.3 per cent of total sales in 1977.

This type of vehicle has more
small c

Of course the oil crisis had something to do with all this. But that was not the complete story. The makers were also eyeing the development of markets in southern Europe.

Mergers

Another important factor in the rise of the small cars has been the technological advance in component manufacture and vehicle assembly processes. Stronger and lighter materials,

PROCESS.

... solutions although, notably, the Renault 5 still uses an in-line engine unit.

increased drag by presenting a

There is also great appeal for the fleet operator in the traditional set-up of a longitudinal engine in the front driving the rear wheels via a prop shaft down the centre of the car. The major mechanical parts in this system can be readily removed and repaired—ideal for high-mileage, hard-used cars.

This is also a sector which is susceptible to attack by the

the Civic also topped the list
the Netherlands mid-way

rough this year with 2.5 per cent of total sales, pushing the Mini into second place, the Fiesta into third and the Mini down to seventh in the list. In spite of this Japanese onslaught and in spite of the competition in the sector, companies are now making profits on their small cars. This apparently arises from a combination of circumstances. Com-

fications will soon be on sale in the U.S.

titles

car. For example the Datsun 280Z sold around 60,000 units in the U.S. last year while BL notched up 50,000 units with MGBs and TR7s and the Midgets and Spitfires between them throughout the territory. The Midget and the MGB are not for the moment available in Continental European markets and last year there was soft-peddalling on the TR7 while

they are to invest in the future. For without that investment they will have no future.

K.G.

In spite of this, BL's share of the total West European sales in the traditional sports car sector represented 28.5 per cent. The Spitfire alone had a 20 per cent share, having performed progressively better since 1974. Comparing 1976 and 1977, its market share jumped from 13 to 20 per cent and this involved a 50 per cent increase in volume. The Spitfire is doing exceptionally well in West Germany in spite of BL's traditional weakness in the car retail business there.

The rest of the competition comes from Italy, in the shape of the Alfa Romeo Spyder series, the Lancia Beta Spider, Monte Carlo and Stratos, and the Fiat X18. (From *Motor*, Jan. 1981)

The significance of the UK market compared with the rest of Europe is reflected in Electric

of Europe is reflected in Fiat's decision to launch the new

This did not leave too much for other contenders. BL's

in Europe last year. The same

Consistent

coupe versions of more conventional saloon cars—the kind of vehicle which allows the ordinary driver to fantasize just a little—has remained fairly constant.

In each of the years from

Best-seller in this part of the car market is the Opel Manta and its success over the same

period reflects just how essential modernity in styling

Once again reflecting the West German liking for sporty cars—

sales in West Europe.

This is a sector which interests the Japanese because

Kenneth Gooding

Kenneth Gooding



They had to keep on improving it. Refining its power, flexibility, reliability and roadholding. And adding even more luxury.

And so was born the Porsche Turbo,
the ultimate performance roadcar.
A car which has drained motoring

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Next came the car voted Car of the Year 1978, the 4.5 litre 928 V-8 luxury sports coupé. Said to be the car by which others will be judged for the next decade.

924, 911SC, 928, Turbo. Whichever you choose, Porsche believe you'll be well satisfied.

As for Porsche themselves: they will never be satisfied.

[illegible]

EUROPEAN MOTOR INDUSTRY X

The next four articles examine the main areas of technical development. Manufacturers are striving to produce more economical vehicles and they are also having to cope with moves to make the emission regulations tougher.

Ways to cut fuel consumption

THE REQUIREMENT to display on windscreens of new cars, and in advertisements, fuel consumption figures for a set of standard tests—an urban cycle, 36 mph and 75 mph—introduces a form of standardisation that some motor industry sources believe will lead to mandatory legislation on fuel consumption. This is already the case in the U.S. where car makers have to improve the fuel consumption of their vehicles by an extra 2 mpg a year in five stages to 1985.

In view of the traumatic period through which the U.S. industry is passing, the prospect of facing parallel legislation is enough to strike despair into some British manufacturers. The Economic Commission for Europe, in choosing two speeds (the urban drive cycle is fundamentally allied to emission control) is being more realistic. Indeed, in the UK there is limited exemption for small, specialist manufacturers like Aston Martin. There seems to be no fear, therefore of ECE legislation at a rate that would damage the industry by imposing too harsh standards. In designing cars with very good power to weight characteristics Europe is far ahead of the U.S. It is also worth noting that while at first glance the transatlantic requirements seem extremely strict, the consumption figure that has to be met is a calculated average of cars sold in each category, or model range, based on a previous sales year, or a declared volume of planned sales. If the worst comes to the worst, and it may well do along the line, the multi-nationals like General Motors (Vauxhall here, Opel in Germany), or Ford could meet their commitments by importing smaller European cars with low fuel consumptions.

This is not to suggest that U.S. producers are taking easy options: rather to state the technical hurdles they face. An immense effort in money, men and resources is being poured into searching for lighter weight materials to improve power to weight ratios and there is no shadow of doubt that the results will be of immense value to the European industry in still further stretching limited fossil fuels. The question is what premium will the customer be prepared to pay? And how can fuel consumption be improved if emission controls make it necessary to reduce engine efficiency? The 1978 emission requirement is already costing as much as \$1,000 in detoxing equipment.

Lightweight materials as alternatives to steel and iron are most unlikely to be as cheap. Moreover, a sudden change in technologies could have an unpleasant backlash on supply industries. The imposition of too quick a pace of highly desirable and no doubt necessary controls on foundry emissions is reported to have put 400 of them out of business.

Anxiety

Events in the U.S. are therefore being closely watched here, not without some anxiety, but also with a good deal of expectation that some of the new technologies being developed will find their way across the sea. Certainly the scale and intensity of American research and development are exciting, even somewhat awe inspiring. One of the new materials, borrowed from the space programme, is carbon fibre (CF), a resin-based reinforced plastic material with great potential as a weight saver. Finding out how and where it could be used on a car is expensive. Ford has spent \$2m on an all-carbon fibre car which it is using as an engineering tool and mobile laboratory. The 1979 model Ford six-seater saloon weighs around 3,750 pounds. Although this is more than 750 pounds lighter than the 1978 model, a carbon fibre version weighs only 2,500, a saving of 30 per cent, which indicates something of the scale of possible savings. This experimental car is being used to

assimilate knowledge and study manufacturing feasibility.

Examples of potential savings are a bonnet lid in c/f is 15 lb against 40 lb in steel; a door is 12.5 lb (30.2 lb); a transmission support bracket in c/f is 0.5 lb (2.3 lb). Among the dead weight items carried for safety reasons are door guard beams to resist side swipes. A modern steel pressing reduces this to 4 lb, but a carbon fibre version weighs only 3.5 lb. There are many other examples where c/f shields, cover and brackets could be used. Widespread use of c/f could, however, lead to extra noise, vibration and general harshness which would call for extra sound deadening, and so on. There are also manufacturing problems. In a modern steel press it takes 10-15 seconds to stamp out a part. In carbon fibre it takes three minutes.

In the UK the BRD company, part of GKN, has snatched a world lead in the production of carbon fibre drive shafts, of which GKN is the chief supplier here. But while there are substantial weight savings, cost penalties tend to limit applications to specialist vehicle producers. On the other hand if a c/f component can do the work of two steel components, as for instance in providing a single prop shaft instead of a divided one, then it comes competitive. Up to 60 per cent weight saving

can be achieved with a composite shaft using aluminium alloy yokes. Currently the more practical solution appears to be in alloy shafts, which incur a much more acceptable 10-15 per cent cost penalty but are 40-45 per cent lighter than steel. This kind of equation is of great interest, not least to truck makers.

Another area in which Britain has taken a technical lead is in the new 10-20 glass from Triplex Safety Glass which enables one to fit 5 mm thick glass in the doors instead of a more usual 6 mm or, less common, 4 mm. The engineering possibilities of the new glass are to be seen at the Motor Show where the Austin Morris Princess with a glassback extension will be on view. This special component contains 50 per cent more glass area, extending the feeling of spaciousness. The Princess 2, which was the first car to switch to 10-20, also features a sun-roof only 2.3 mm thick which is opened by flexing the glass.

Glass is also in wide use in glass reinforced plastics for bodies for the Lotus, Renault Scimitar, and three- and four-wheelers. Plastics together with aluminium and high-speed steel remain the three leading materials for weight reduction. Improved compositions and more detailed engineering that

reduces the weight of a given component, in whatever material, are also combining to make vehicles lighter.

Aluminium is increasingly widely used in the engine compartment for overhead camshaft covers, sumps, clutch and gear housings, and for bumper parts, water pumps, brackets, and other components. Recent years have seen a great extension in the use of plastics both for trim and as engineering parts. A far from exhaustive list would include seating, grilles, fascias, lamp parts, wiper parts, door handles, bumper parts, scuff plates, door to the licence holder. High speed steel, used more in America than in Europe, finds its way into such items as body reinforcements, engine and bumper mountings, seat belt anchors, suspension arms, seat frames, and several other applications.

Comfort

Part of the reason for the tremendous concentration of effort and resources on weight saving in the U.S. is the desire to retain the traditional roominess and comfort which in more fuel-free days put a huge, slow-turning engine into cars weighing two tons or more. Saving weight, and often size, plus

more critical designs, are leading to rather smaller vehicles with the same interior room—a concept brilliantly realised by Sir Alec Issigonis in the original Mini. And when a vehicle is made lighter, it becomes possible to make considerable savings in tyres, wheels, engine capacities and other functional components without losing in performance. The 738 lb Ford knocked off its 1979 model to bring the weight down to 3,750 lb includes 200 lb off the body structure, 110 lb off the engine, 81 lb off the brakes, 59 lb off the rear axle, and so on, a fascinating example of the way in which techniques are developing and accelerating.

Weight-saving exercises are also being conducted in the truck industry, though here the objective is not energy-savings as in cars but to improve load-carrying capacity. Designers are constrained by a maximum gross weight set either legally or by design. As a generally only the more specialist operators, like those undertaking trans-continental trucking, are willing or can afford to pay a premium for some of the possible weight-saving methods. Weight-saving in the truck business means less a dash for alloy components and more in clever designing

to make them lighter without, of course, impairing efficiency. This also has the effect of paring costs.

That is not to say lighter weight materials like aluminium, plastics and high-speed steel are not being used in growing volume, but there can be problems. High-speed steel can be and is used in chassis frames, but in a long-wheelbase vehicle it could become a spring. It also has the drawback that one cannot weld it because it has been heat-treated to give it certain properties. It also complicates repair or conversion.

Aluminium, on the other hand, has more freedom of use for some components. Combined with a major redesign programme, Seddon Atkinson engineers have lopped some hundreds of pounds off the vehicle. A simpler bumper and lower cab saved 140 lb while different axles allied to a new gearbox allowed it by a further 620 lb, with another 390 lb being lost from the new rear bogie. Aluminium is used in the front bumper, a saving of 44 lb, and for the fuel tank. Some of this weight saving, however, only compensates for the increased weight of bigger, more comfortable and sophisticated cabs of a kind drivers are increasingly insisting on.

More controls on pollution

POLLUTION HAS become so emotive that well-intentioned legislation, some of it arguably unnecessary, is reaching the stage where energy conservation is being reversed in order to meet increasingly severe controls. For instance, while one can accept without hesitation that lead is poisonous a universally acceptable system of measurement that enables one to determine at what degree of concentration it becomes a health hazard has still to be devised.

While a great deal of work is going on in this country, elsewhere in Europe, in America and other industrialised countries, convincing clinical evi-

dence is still lacking as to the part vehicle emission plays. A commonly agreed system of measurement is deemed necessary since chaos would result if regulations in various countries were based on different methods of measurement. Europe is trying for universal standards on exhaust emission, as it is on safety standards, although this does not prevent any country from introducing its own legislation. Germany did so, and it has cost millions of pounds and pushed up the price of petrol. In 1978 Germany introduced legislation which brought the amount of lead in a litre of petrol legally allowable substantially below what was general elsewhere in Europe. When Ger-

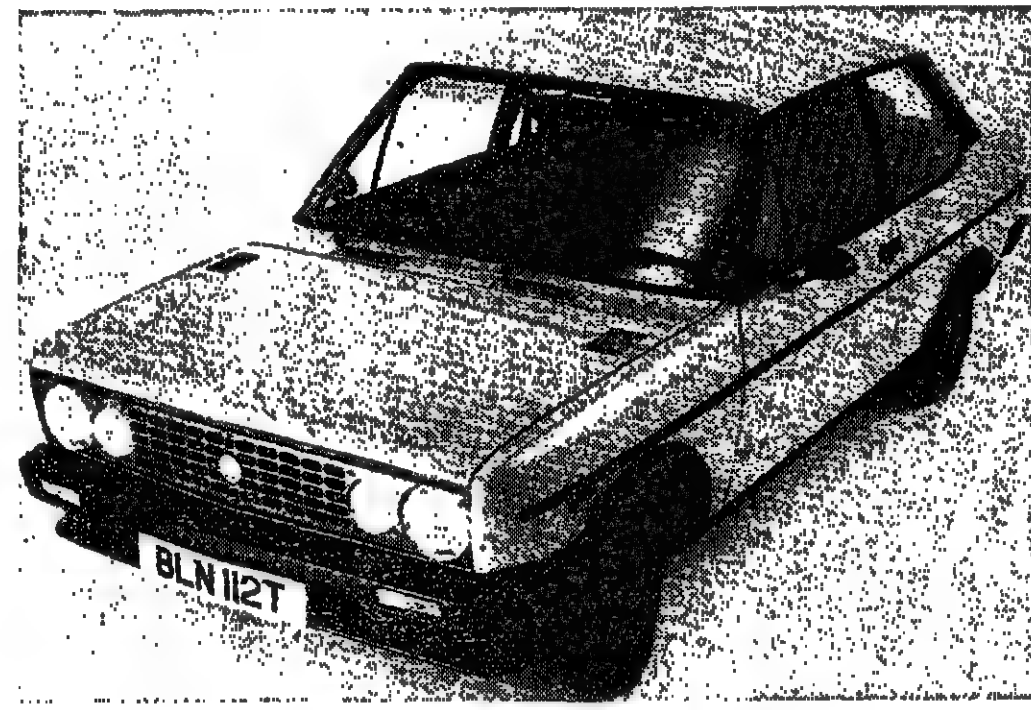
many reduced it to 0.15 grammes per litre the generally accepted level was 0.5 grammes, since tightened to 0.4 grammes. It is believed that the UK and other governments will need to be convinced that below this level it constitutes a health hazard before contemplating fresh legislation, for the German experience is highly indicative.

Most people think of lead in petrol as the substance that gives it its anti-knock properties and that in some way the amount is related to the star system expressing octane value, with two star petrol containing less lead than four or five star. This is only partially true. Octane values are also determined by which of the three principal refining processes are being used, where the feedstock comes from, perhaps the Middle East or North Sea, and how the refining is biased. For example, there is an overlapping area where more naphtha for the chemical industry can be extracted at the expense of petrol for the pumps. Again, the refining process reshapes molecules and provides a much higher octane rating. The lead in petrol is there for the benefit of the engine to allow high compression ratios and therefore higher efficiencies. To an extent it is an alternative to a more expensive refinery process.

The German legislation forced oil companies to make substantial investments to upgrade processes at their refineries to provide the same anti-knock properties as before. Because the upgrading processes depend on heat and pressure, energy requirements at the refineries have been increased. In carrying through the changes tax penalties were imposed on companies not able to meet deadlines, and those that did conform were allowed to charge a higher price per litre.

Pollution

Pollution controls are also tough in Switzerland, where environmental issues are sensitive subjects, and where legislation is apt to be heavily influenced by referendum—and where there is no motor industry to bear the brunt. In America some of the measures are politically inspired and becoming so onerous that they are outstripping the technical knowledge of how to meet them, quite apart from the fact that they are running into a head-on collision with energy conservation. There is no doubt that the special smog problems in Los Angeles or, for that matter, Tokyo, justify especially strict control. The trouble is that while regulations outside California and in other parts of Japan may not be as strict, they have to be met since it would be impractical to limit vehicles to certain areas of the country. Vehicles for the American and Japanese markets have to be



New from Fiat, the Mirafiori Sport

specially prepared at considerable extra cost and the prospect of such tough regulations migrating to other parts of the world not subject to the kind of climatic inversions that produce the smog, are being viewed with apprehension, not to say resentment, since there is a widespread feeling that they are unnecessary in Europe, or other parts of the world.

Leaving aside America and Japan, which are special cases, the motor industry tends to work to the highest standards of emission control so that vehicles that conform to them will be acceptable in all other markets. Where an engine is being modified, or a new engine being introduced, it is generally designed to meet the next highest level of controls still on the sidelines.

Emission control regulations are a comparatively new feature of life in the motor industry, and have involved individual companies in millions of pounds in establishing research and development facilities and test rigs for they represent a big leap forward from the time of the previous legislation dealing with the emission of sparks, soot and other substances from steam trains.

In addition to lead, or rather oxides of nitrogen commonly referred to as NOX, the other pollutants are hydrocarbons, or unburnt petrol, and carbon monoxide, the toxic gas resulting from incomplete combustion. The first emanation of control was the sealed crankcase in 1967. The next, and current one concerns only hydrocarbons and carbon monoxide, which was introduced in 1977. It is known in the trade as ECE 15.01. The Economic Commission for Europe works under the auspices of the United Nations and is trying to harmonise regulations in Europe and those with regulations world wide, though America and Japan have different ideas.

The UK is almost on the eve of introducing the next amendment, which tightens the emission level by 20 per cent. The amendment after that, in the early '80s, will introduce the emission levels for the first time and the amendment following will tighten all three by a further 15-20 per cent. Under the rules of this European "club," on which sit representa-

tives of the Transport Department, any two governments can sponsor legislation via the UN Secretariat, and all other governments are encouraged to agree the regulation so that all vehicles certified to that regulation are acceptable in their countries. However, for sovereignty reasons the process is quite optional, and indeed the UK has refused to accept a number of regulations—on noise because we had a stricter level; on seat belts because it was thought we had better domestic standards. On the other hand the UK was among the first to adopt crash barrier regulations, and accept regulations when they came up to domestic standards. While NOX emission levels have still to be introduced there is a Common Market directive that from 1981 they must not exceed 0.4 grammes of lead per litre of petrol or be less than 0.15 grammes, the current German level.

Commercial vehicles are also subject to emission controls, but here they apply for the time being only to visible smoke. Again it is interesting to see the empirical way in which the legislation is being built up. "What levels of visible smoke are acceptable?" is rather like asking "What levels of exhaust pollution (which is invisible but none the less potent) are acceptable?" The relevant British Standard was set after a long series of observer tests at the Motor Industry Research Association's establishment near Nuneaton. Various levels were agreed according to the ratio of acceptance. These are 25 per cent at the lower end, 50 per cent and 75 per cent at the higher end. The existing level is 30 per cent, although there is talk of moving up to the 75 per cent level. While the levels of permitted emission are arrived at subjectively, measurement is obtained by shining a light into a box of smoke and reading off what are called the Hartidge units. These controls are supported by Common Market directives and regulations so that they move in step, and were arrived at by presenting the observer findings in mathematical form, analysing them and comparing with the level of light obscuration of the smoke. While there are a number of different methods of measure-

ment, the Bosch light meter for instance, there is correlation between them.

European legislation does not include NOX, and there is no anticipation that it will move so far down the road the Americans have taken, although research is going on in the UK on a collective basis between engine and injection equipment makers, vehicle producers and the Government. It is strongly argued that if the U.S. Environmental Protection Agency standards had to be met it would penalise the rest of world markets, since the engines would be bound to cost more. In any case, there is no clinical evidence that diesel engine emissions are harmful; it has just been tagged with an unpleasant reputation because of smoke emission. More information on diesel emissions will become available when the sophisticated research now going on into measuring fuel particles and air flow behaviour with the help of lasers is completed.

Tightening

But while control of exhaust emissions are tightening, there is another body of opinion suggesting that on energy conservation grounds there ought to be wider cuts of vehicle fuels. In overall energy terms the maximum is needed from a barrel of oil having subtracted the energy needed to get it in the first place. Loosening the present tightly controlled specification for some fuels would help to achieve this, though inevitably it would pose problems for the engine designers and makers. They could not be certain, for instance, that consistent specifications would be held the world over.

The various options opening up are leading to investigation of various types of alternative power units to the petrol engine, which is notoriously inefficient under part load (unlike the diesel which does not have this problem). One of these is stratified charge engines, which are good on emissions but poor on consumption. The next decade will be one of intensifying activity to find acceptable solution to sometimes conflicting problems.

Peter Cartwright

Scope for electronics

THE ELECTRONIC age has already started in the car industry. But the big question now is how far it will go, and how quickly. No one quite knows the answer to this because of the state of what is still an infant technology. Much depends on the speed of development in micro-circuitry over the next few years and the ability of the electronics industry to reduce costs. As costs come down, the motor manufacturers will be more and more attracted to these new mechanisms, but this is a critical factor in an industry where expenditure on components has to be controlled extremely tightly.

The main scope for the use of electronics, however, is already clear. Electronics can be applied in various areas of engine control and fuel management, in anti-skid devices which control the braking mechanism, and in peripheral areas such as speed control. They can also be used to give more precise and detailed dashboard information in a digital form, and to sense and relay messages from roadside information outside the car. Electronic systems, indeed, have opened up the futuristic prospect of vehicles controlled entirely from outside, and although this is an unlikely prospect for many years, over the possibility of cars in which all the driver does is to give instructions on where he wants to go.

At present, however, the main developments have been in the fields of ignition and fuel injection. Already, the ignition function on most cars in the U.S., for example, has been converted to electronic methods with a technique known generally as Breakerless Transistorised Coil Ignition. This means that electrical components are used to control the current which causes ignition, switching it between plugs and triggering it off electronically. The technique gets rid of the mechanical breaker points which both switch the current and perform the triggering mechanism in conventional cars, and which are notoriously subject to mechanical wear.

Timing

The advantages of the transistorised method is that it gives higher voltages and produces greater consistency in the ignition timing, both critical factors in a period in which leaner fuel mixtures are being used in the effort to conserve energy. In addition, this technology is reckoned to be more economical on fuel. The disadvantage remains cost. As yet, these transistors would be used to transistors components cost less, the driver's instructions on more than the mechanical what speed he wants to go into replacing, and are only widely to be injected, the correct timing, and the relevant a high premium on any methods gear.

which will reduce fuel consumption and help manufacturers to meet the stringent Government guidelines on vehicle economy. In Europe, it is estimated that about 15 per cent of the new vehicle fleet is coming onto the market featuring these components: all the new Chrysler cars, for example, use electronic ignition, and the new Citroen Visa, launched at the Paris Motor Show this year will also have it.

Analysis

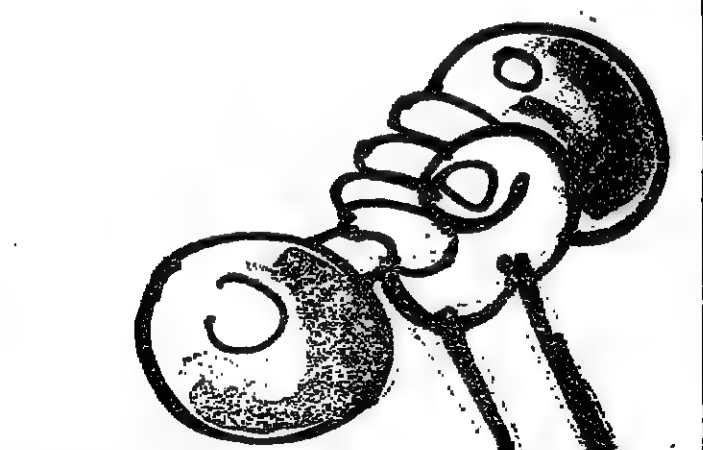
A refinement of the transistorised coil is the completely computerised ignition system. This process is designed to calibrate computers to make an instantaneous analysis of what is going on in the engine and on the basis of this calculate the timing of the ignition to optimise performance. The techniques exist for measuring engine speeds, heat and so on, and this can then be translated into controlling the engine so as to improve fuel consumption and emissions. Some production of small series micro-computers has already started at General Motors and Chrysler to perform these tasks.

Electronics are also being widely used now in fuel injection systems. Interest in this area has developed because of the advantages of using injection, as opposed to the normal carburation methods, to achieve cleaner fuel burns and to improve fuel consumption. Electronics can be applied to the injection mechanism to measure air flows and decide when fuel should be delivered to the intake ports. In America, in particular, these methods are catching on because of the tight controls on exhaust emissions.

Further developments of this technology are devices which test the exhaust emissions and then feed the information back to the electronic control system so that the injection process is adjusted accordingly. Bosch, for example, the West German electrical company, has developed a piece of equipment called Lambda sensor which works by sensing the residual oxygen in the exhaust system. Information is then relayed back to the controls to regulate the air/fuel mixture.

Some engineers believe that these so-called engine management techniques may eventually lead to an almost complete control of mechanical functions including the gearbox. This would involve not only activating the ignition, and calibrating the fuel injection, but choosing the right gear at any particular moment. Under these systems, which are now being developed by gearbox manufacturers, electronic what speed he wants to go into replacing, and are only widely to be injected, the correct timing, and the relevant a high premium on any methods gear.

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EUROPEAN MOTOR INDUSTRY XI

Tyre manufacturers under pressure

TOO MANY tyres chasing too few buyers resulting in cut-throat competition in the marketplace and at best minimal profit for the manufacturer. That, in a nutshell, is the problem the tyre industry is facing, with little prospect for short-term improvement.

Factors responsible for this unhappy situation include:

- Ever-advancing technology which improves tyre performance and increases potential life.
- The record number of foreign car imports into Britain. In the main, these come in on tyres made in their country of origin.
- Consequently, demand of British-made original equipment tyres suffers.
- A flood of imported tyres, some from Eastern Europe but many from the mainland European factories of companies like Dunlop, Firestone and Goodyear, which has further depressed replacement market prices.

The most significant change in tyre manufacturing technology has been the abandonment of crossply construction in favour of radial ply. The radial ply tyre of today, with bolts of steel wire reinforcing and stabilising the tread, gives about twice the mileage of a crossply tyre.

As original equipment for factory fitting to new cars, the crossply tyre is virtually extinct. It lingers on in the replacement market, selling to highly cost-conscious purchasers who run old cars and care little what make of tyre they fit so long as it is cheap as possible. The effect on overall tyre sales is obvious.

Replacement

In the period 1972-75, when the number of cars and light vans registered in the British Isles went up from 14.1m to 15.2m, the number of replacement tyres decreased by 3m units (from 22.4m to 19.4m). The rate of decline has slowed since then, but this year's tyre replacement factor is expected to be 1.26 at best. The only development likely to halt the downward trend is stricter legislation on tyre safety. At present, it is legal to use a tyre in Britain if it has a minimum of 1mm pattern remaining across three-quarters of the width of the tread. The British tyre industry and trade has been urging the Government to adopt a stricter standard of 1mm pattern across the whole of the tread, to be followed by an increase in the minimum pattern depth to 1.5mm or, hopefully, 2mm.

No doubt mindful that any arbitrary increase in motorist costs is unlikely to endear it to the motoring voter, the Government has so far remained unimpressed by the tyre industry's argument. The latest trend in car tyre design can be seen on a number of the imported car makers' stands at the National Exhibition Centre. This is the increasing popularity of ultra low profile tyres, only 60 or 65 per cent as high as they are wide. In the interests of enhanced performance and appearance. At present two firms are leading the field—Pirelli and Michelin.

Pirelli's new super tyre for volume produced cars is the P6, known as the Plus One Concept. It is so called because it is used in conjunction with a wheel 1in larger in diameter than usual. This keeps the car at the same height above the road and avoids the need to alter gear ratios, headlamp and bumper heights.

The P6 improves handling, steering response and cornering performance significantly. Unlike earlier designs of very low profile tyre, it involves no sacrifice in ride comfort. In fact, its sophisticated design allows thinner materials to be used in its construction which makes it less, not more, liable to transmit rough road reaction

to the car's occupants. Among car makers using P6, which is now being made by Pirelli factories in Britain and Germany as well as Italy, are Alfa Romeo, Audi, Fiat, Opel, Saab and Volvo. As supply improves, others will follow suit.

Michelin's super tyre is the TRX, so far taken up only by Ford in Europe and the U.S. and on a smaller scale by Peugeot and Fiat. Unlike the P6, TRX demands the use of a special wheel, sized in millimetres, not inches, with a different rim shape. Its advantages are similar to those of the P6, though it seems to require greater modification to the car's suspension if its full performance and comfort potential is to be realised.

Technology

TRX is at present being made only in France but it will be in production in the U.S.A. in the near future and perhaps in Britain within a year. The flow of tyre technology across the Atlantic has been almost entirely westwards in recent years as the European subsidiaries of the American companies have passed on their radial-making expertise. But an American idea that may take root in Europe is the low-rolling resistance radial tyre of

special design, exemplified by the Goodyear Elliptic.

This and other fuel-saving tyres are designed to run at much higher inflation pressures, which reduce rolling resistance, while preserving normal comfort. Goodyear's Elliptic—its sidewalls are abnormally curved to preserve flexibility at high inflation pressures—originally required its own unique wheel. But Goodyear had rapidly to change their mind when the U.S. car makers objected to this unwanted complication. A compromise rim that fitted both the Michelin TRX, which is a performance, not an economy tyre, and the Goodyear Elliptic was evolved to solve the problem.

Having one special rim to fit two different non-standard tyres would appear to have commercial advantage to both Michelin (which is out to topple Goodyear from the world's number-one tyre-making spot) and Goodyear itself. But there can be no question that Pirelli's solution of using a larger size of standard rim is more elegant and economic.

Dunlop continues to plough a lonely furrow with the Denovo runflat, failsafe tyre, now over six years old. A simplified version was announced last week. It has a thick layer of

gel on the inner crown which seals penetrations and lubricates the tyre's interior in the run-flat mode. The string of lubricant containers of the earlier Denovo have been eliminated, but a special two-piece wheel is still required.

All the tyre manufacturers have made runflat tyres. Only Dunlop has marketed one and their technology is well in advance of any rivals. The car makers would like eventually to eliminate the spare wheel and tyre. Whether they will turn to Denovo is still uncertain, though its safety and convenience are beyond doubt. Only BL Cars have made any real commitment in Denovo so far, though two Fiat models can

be ordered on Denovo in Britain.

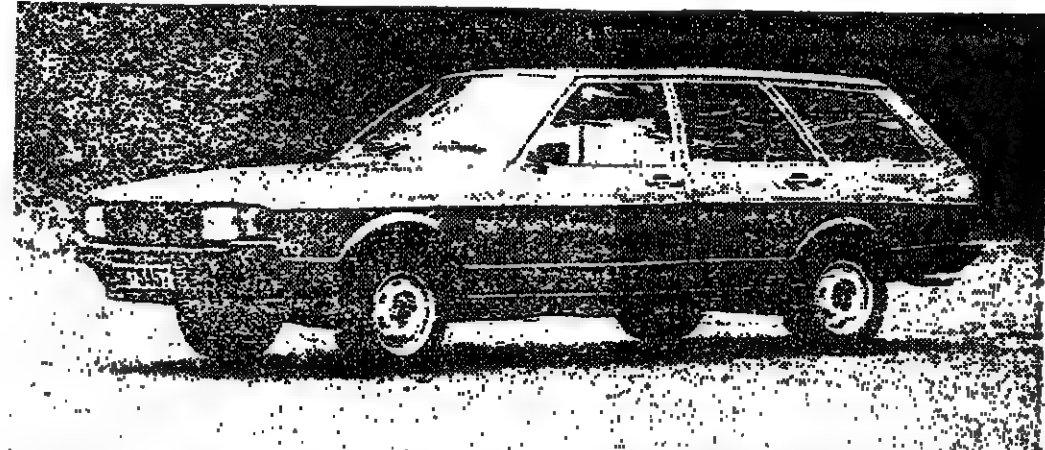
Truck tyre design is relatively static. The haulier is interested in high mileage, reliability and being able to extend the life of the tyre's casing by regrooving and remoulding. In recent years there has been a modest trend towards using fat single tyres to replace twin-formation tyres, especially on the rear bogies of articulated tankers, where they save weight and improve operating economics.

True low profile tyres, only 70 per cent as high as they are wide, have been used on the Leyland National bus for some years and are expected to penetrate the truck market by

the early 1980s. They allow the brakes to be bigger for a given overall tyre diameter, have higher load carrying capacity and improve vehicle stability and handling. But vehicle design will have to be changed to exploit the low profile truck tyre's advantages.

Radically new car or truck tyres, with no casing reinforcement and made by injection moulding instead of labour-intensive building methods, are still a very long way off. The industry wants to make real money out of its huge investment in costly radial ply tyre building equipment before it ventures into new technologies.

Stuart Marshall



The VW Passat LS Estate



The Volvo 343 GLE

Electronics

CONTINUED FROM PREVIOUS PAGE

Another application of electronics which is rapidly moving into the era of commercial application, is in skid control. These anti-skid devices mean linking the wheels by way of sensors with an electronic control unit which then interprets what is happening to the braking mechanism on each individual wheel. The idea is to prevent any one of the wheels from locking and thus creating a skid. Rapidly alternating electronic signals from the central device control the brakes to prevent them locking any of the wheels. An anti-skid system of this kind, jointly developed by Bosch and BMW, will become an optional extra

on the German car company's T-series saloon by the end of this year, and Mercedes is also moving into this field.

Finally, electronics are moving into the instrumentation area, where they are being used to give far more information than was previously available to the driver. On some up-market vehicles this process has already started. The instrumentation includes devices to let the driver know the state of oil in the engine, whether the windshield wiper system has water in it or whether the lighting system is working properly. In the U.S. some electronics companies are now marketing bolt-on accessories which, for as little as \$200, provide the driver

with extra information such as the amount of petrol he has used on a particular journey. What his average speed has been and so on.

Cheaper

Almost all of these electronic devices are now known to work satisfactorily on a motor car. The basic problem facing their future use is cost—and that comes down to questions of developing the products so that they are cheaper to manufacture, technical improvements in microprocessing itself, and the application of mass production techniques which will make them suitable for the motor industry.

Partly because of these cost issues the possibility of joint development projects or even co-operative manufacturing enterprises are being investigated in these fields. In France, for example, Renault and Bendix, the U.S. manufacturer, have talked about a joint project, and Renault is also known to be talking to Bosch of Germany and Lucas of the U.K. Similarly, the Peugeot acquisition of Chrysler Europe may also help in one of its non-automotive divisions for the American space programme. Fiat has also said that it is interested in pooling

research and development efforts with others.

The main companies involved at present are split fairly evenly on both sides of the Atlantic. Including Lucas and Bosch in Europe, and Bendix and Motorola in the U.S. There is no doubt that all of them view the electronics field as an important part of their future development. Standard electrical systems, of course, still have some time to run. But if the pace of development in the past five years is a guide to the next decade, the electronics revolution will have fundamentally taken shape in the motor car by the end of the 1980s.

T.D.

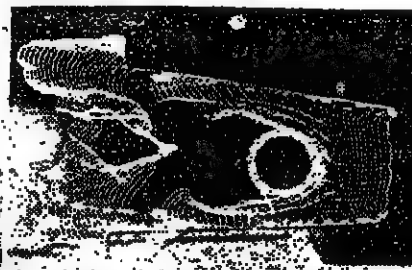
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Toyota versus the economic problem.

Automobiles have become indispensable to everyday life. As society evolves so does the need for automobiles. At the same time we are acutely aware of the urgent need to conserve the earth's limited natural resources. And so the need for economy in automobiles becomes correspondingly more important. Just imagine what we all are up against. Motorists must bear the burden of increased cost of cars, in addition to the increased

price of petrol. Add to that the rising charges for maintenance and service. And the automobile industry suffers from increased costs for raw materials and rising

Study of gas flow in cylinder to seek most efficient shape for combustion chamber.



labor expenses. What, then, is an economy car? Naturally, it must provide good mileage and economy. And it must be ruggedly built to last, yet it must also be easily maintained. It must be easy to operate and perform well. A car must be designed and built as a total, balanced economic unit. We believe that this is the 'economy' car which motorists and society honestly require. At Toyota, we are keenly

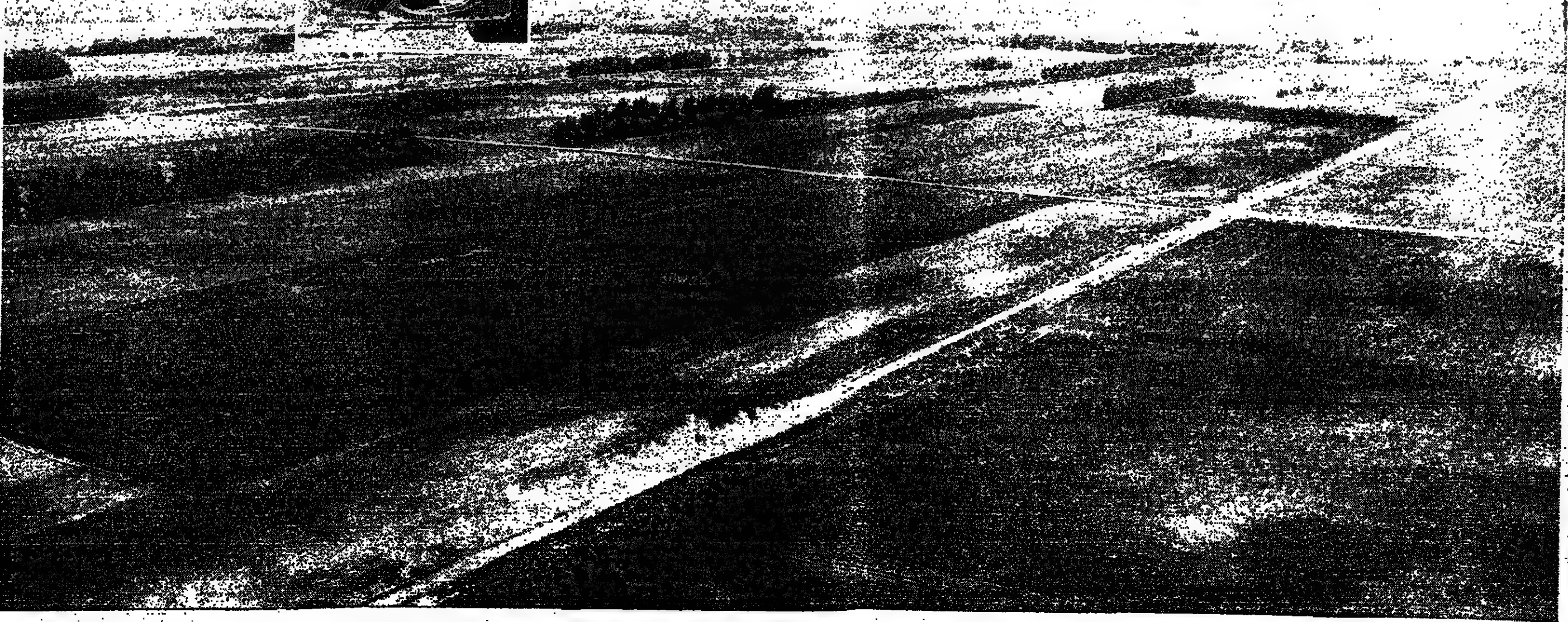
aware of such needs; our research and development staffs are currently involved in many, varied projects that are aimed at just that. For example, as well as developing an engine that provides better combustion using low grade petrol and an efficient power transmission system, we are experimenting with a material that would effectively replace metal and be both lighter and longer lasting.

This pursuit of economy by Toyota is not something begun today, but initiated over 40 years ago when the first Toyotas rolled off the assembly line. This is because Toyota's philosophy is to build a car from your point of view. And this policy will never change as long as Toyota makes cars.



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People who care building for people who care



EUROPEAN MOTOR INDUSTRY XII

Every large manufacturing country in Europe is now faced with an increasing percentage of car imports. Among the major motor producing nations of the free world, only Japan has kept imports to a negligible share of its home market.

Changes in trading patterns

THE IMPACT of the free trading policies which followed the Kennedy Round agreements and the creation of the EEC can be seen quite clearly in the development of the European car industry. Whereas 12 years ago every large manufacturing country was importing only between 5 and 15 per cent of its new cars, today this percentage has increased to between 20 and almost 50 per cent. A similar pattern has developed in the U.S. Among the big motor-producing countries of the free world, only Japan has successfully defended its own industry against imports.

Within Europe, these changes have been particularly severe in Britain. In 1965, just after the first rejection of the UK's efforts to enter the EEC, domestic manufacturers satisfied 95 per cent of local demand. But by last year, when tariff barriers against the EEC had been completely dismantled, British companies were only satisfying about 55 per cent of demand. This slump has occurred despite limitations on Japanese imports, which have probably held the Japanese share by at least 5 per cent, and despite the attempt to shore up the British industry with considerable tranches of public finance.

A similar change in the trading base has also occurred in Italy, although, in this case, it has not had the problem of sudden adaptation to the Common Market to contend with. The Italian manufacturers' share of their own market, traditionally dominated by Fiat, has fallen from 88.5 per cent in 1965 to 84 per cent, partly because of Fiat's decline from a near monopolistic position which it was unrealistic to expect to continue, and partly because of more aggressive efforts from the importers.

In West Germany and France, the other two large car manufacturing zones in the EEC, the trend towards imports has not been so marked, although it has been quite positive. The West German manufacturers' share of their home market has fallen from 88.5 per cent in 1965 to about 79 per cent, while France's has fallen from 85 per cent to 78.

Vigorous

The statistics also show unequivocally that Germany and France have been by far the strongest competitors in Europe during the past 12 years, with the French manufacturers experiencing the most vigorous growth of all. German producers, while finding expansion virtually impossible in the U.S. following the demise of the Volkswagen Beetle, have pushed into France, Italy and Britain. The French, with their attention fixed mainly on Western Europe, have pulled back the German lead in most of these markets and surpassed it in Italy, where they have almost 30 per cent of the market against 15 per cent by the Germans.

If the French stake in Spain is also taken into account, their relative improvement against the West Germans looks even more impressive. Whereas German producers have no significant investment in the Peninsula, two French producers, Renault and Citroën, already have plants there, and Peugeot will add to its capacity after its takeover of Chrysler Europe. The French share of Spanish sales could amount to about 500,000 units this year.

Equally, the figures show the acute decline which has gripped the British industry in the period. Last year, UK companies' sales in the main EEC markets were insignificant, making nonsense of the industry's argument that entry to the Community would increase competitiveness and open up an entire new market. In fact, sales have actually fallen from what they were 12 years ago. In France they have dropped from 2.8 per cent of the market to 1.3 per cent, and in Italy from 1.2 per cent to 0.8 per cent. In Germany they have gone up slightly, but only from 0.3 per cent of the market to 0.6 per cent.

Outside Europe, the main change has occurred through the growth of the Japanese industry. This expansion, first led by Toyota and Nissan, the Datsun producer, but now being followed by the smaller Japanese producers as well, accounts almost entirely for the development of imports in the U.S. The Japanese share in the American market, which stood at an insignificant 0.2 per cent in 1965, against the German's 4.5 per cent, has now grown to 12.3 per cent. By contrast the Germans have slipped to 4.0 per cent, while the other European industries have stood still at less than 1 per cent each.

These market changes relate very closely to the way in which production in the world's motor industry has developed in the period. U.S. car output has stayed virtually static since 1965 at just over 9m units (10m including Canada); which Japan, with a development strategy based fundamentally on exports to the U.S., has lifted its output from about 700,000 units to a little under 5.5m. About 40 per

cent of this output is now taken up by a much-expanded Japanese market, while the base for profitable exports is provided by Japan's 1.2m registrations in the U.S. The rest is exported all around the world, with about 600,000 units going into the EEC.

In Europe, production expanded very quickly between 1965 and the peak year of 1973, when it approached 11.5m. Since then it has been forced into reverse by the oil crisis, only coming back to 1973 levels last year. The most significant feature of these changes is the way in which they have embraced a sharp switch in production resources away from the UK, and, to a lesser extent, Italy, while France has emerged to challenge West Germany as the region's premier car manufacturer.

German production has gone up during the period from about 2.7m units in 1965 to 3.8m last year. But the French have advanced from 1.4m to 3.1m. Britain's output, by contrast, has gone down from 1.7m cars to 1.3m, while Italy's, after a rapid expansion until the early 1970s has slipped back. Italy now produces about 1.4m cars compared with 1.1m in 1965 and almost 1.8m six years ago.

Capacity

The improvement in the West German position reflects to a certain extent on the American multinational's policy of switching their car assembly capacity away from the UK and towards West Germany, both German Ford and Opel, the General Motors subsidiary, have developed considerably during this period, making up for the

stagnation at Volkswagen which followed the demise of the Beetle model. In the UK these policies have had the effect of aggravating the decline in car assembly which has followed the unsuccessful scramble to rationalise the industry around a strong indigenous company based on the old Leyland and BMC companies.

During the same period the French manufacturers have grown under the strong encouragement of their Government. This expansion has been led by Renault, the State-owned group, which works closely with the Government and which has been encouraged to invest heavily and export vigorously. Established under State-ownership by General de Gaulle soon after the war, Renault first received a direct injection of State equity soon after the General's return to power in 1958. Since then its expansion has been rapid.

The other side of De Gaulle's policy was to fight against the development of the American multinationals in Europe. This received a blow when Chrysler took over Simca, but it now looks like being resolved in favour of a completely home-owned industry by PSA Peugeot-Citroën's bid for Chrysler's European interests. If this deal goes through it will create the largest car group in Europe—yet in the mid 1950s Peugeot was only about the size of Hillman in the UK and was effectively selling just one model.

Although detailed trade figures are not yet available for 1977, the statistics up to 1976 indicate quite clearly how rapidly France's export potential has grown. By contrast, Britain's has declined, while Western Germany's, after expanding until

CAR EXPORTS OF PRINCIPAL EXPORTING NATIONS										
Year ended December	UK	France	West Germany	Italy	Sweden	Japan	Canada	U.S.		
1963	307,368	81,339	140,935	30,155	1,411	—	27,967	18,126		
1964	372,029	100,983	244,126	40,755	2,365	1	7,321	17,230		
1965	388,564	132,859	357,380	69,397	3,040	2	11,931	21,000		
1966	335,397	151,436	421,379	78,388	7,671	46	14,122	18,200		
1967	424,320	218,565	515,862	110,953	18,812	487	16,241	21,000		
1968	484,934	320,141	648,332	161,130	31,636	2,357	18,400	21,000		
1969	568,971	514,755	737,861	216,831	43,342	4,894	24,901	21,000		
1970	669,889	491,978	841,033	197,925	49,131	7,013	17,184	21,000		
1971	370,744	369,147	878,160	234,893	45,586	11,531	9,495	18,000		
1972	544,304	469,897	875,050	305,429	53,835	16,011	11,874	22,000		
1973	615,327	522,613	1,217,269	291,877	63,192	21,445	15,514	24,000		
1974	679,353	441,949	1,356,929	313,097	73,125	66,965	38,277	24,000		
1975	627,567	487,171	1,434,241	307,534	84,186	109,763	46,187	24,000		
1976	556,044	501,084	1,475,547	371,633	104,682	152,090	47,755	24,000		
1977	502,596	546,980	1,350,817	404,401	122,020	223,491	31,429	24,000		
1978	676,571	628,586	1,801,563	537,695	138,767	406,250	48,815	24,000		
1979	771,624	787,464	1,875,114	594,590	141,775	580,431	38,416	24,000		
1970	698,339	1,061,306	1,934,475	632,128	186,537	725,588	56,482	24,000		
1971	721,094	1,148,625	2,155,943	640,193	212,487	1,299,351	27,456	24,000		
1972	627,479	1,240,028	2,097,636	659,112	195,347	1,407,348	49,335	24,000		
1973	598,816	1,340,007	2,203,649	655,286	183,155	1,450,584	18,104	24,000		
1974	564,790	1,297,585	1,882,279	686,244	163,294	1,727,396	30,764	24,000		
1975	516,219	1,233,451	1,499,949	661,310	163,448	1,827,236	48,729	24,000		
1976	495,786	1,326,945	1,995,408	696,469	143,191	2,538,117	64,316	24,000		

Source: SMMT.

the crisis of 1973, has also stagnated. The Italian industry, under the determined effort by Fiat to gain an international position in the world's motor industry, has also increased its exports despite its production problems.

West Germany still leads the table, with exports in 1976 of almost 2m vehicles against France's 1.3m. But the German position embraces a fall since the total of 2.2m exports achieved in 1973, and may go down still further following the establishment of Volkswagen's plant in the U.S. earlier this year. Britain, meanwhile, reached its peak exports in 1969 with 721,000 units. Since then they have fallen to about 500,000 in 1976 against Italy's 700,000.

The development of trade in the motor industry over the next decade will depend to a certain extent on the kind of policies which emerge from the present efforts to expand the world economy and keep free-trading policies alive. But even if the present liberal policies are retained, most motor companies believe that there will be much less scope for expanding fully built-up vehicles in future than there has been since the last war. This is partly because most developing countries are determined to build their own motor industries, and partly because it is economically more sensible to export technology and know-how over long distances than cars. In addition many companies are now trying to in-

stigate themselves against the violent swings in the currency markets by establishing overseas manufacturing bases. The is what has led Volkswagen to set up its new factory in Pennsylvania following a series of losses in the U.S. because of the rise in the Deutschmark relative to the dollar. The German company, in turn, expected to be followed by the Japanese, who are faced with a similar predicament as the yen rises on the foreign exchange markets. Thus the development of a new generation of multinationals is likely to be the most significant change in the industry over the next decade.

The British motor industry

has still to overcome its labour relations problems. In addition to major strikes' production is constantly affected by numerous minor stoppages.

Labour troubles continue

INDUSTRIAL relations remains one of the most fundamental issues challenging the motor industry: the old complaint about no model range being any use if delivery cannot be guaranteed on time is as true today as ever before.

Major disputes immediately became major news. But continuity of production and out-

put targets are equally affected by numerous minor stoppages of which little is heard outside the plant directly involved.

The autumn began with two of the big four UK car manufacturers—Ford and Vauxhall—among the first companies to face pay negotiations since the introduction of the Government's 5 per cent guidelines.

Vauxhall unions rejected a pay offer in line with guidelines but agreed to continue talking to the company. Rejection of a 5 per cent offer by the Ford workers led to immediate walk-outs which brought all the company's 23 plants to a standstill. Deadlock in the Ford strike was broken when the company, following rejection of the 5 per cent guidelines at the Labour Party conference, agreed to reopen negotiations in a spirit of responsible free collective bargaining—a move likely to have far-reaching repercussions for pay policy. Despite the return to free collective bargaining in negotiations, however, the Ford unions still faced a hard fight in trying to persuade the company to come anywhere near their claim for £20 per week increases and a range of other improvements.

An aspect of the claim on which the unions were particularly hoping to make ground was a demand for a reduction in the working week. This was rejected forcefully by the company in its initial reply. Ford says that a means must be found of getting its British plants "up to the European level of performance" rather than introduce measures which it believes would lead to them lagging further behind.

Comparisons between the productivity records of the British Ford factories and those in Germany, France, Belgium and Spain are frequently raised in negotiations between the company and its unions. Many of the productivity comparisons show the British plants to come a very poor second, although shop stewards have complained that these fail to take sufficient account of the age of much capital equipment in Dagenham, Ford's biggest British plant.

Complaints

In a recent trade union study the Ford shop stewards claimed that complaints about productivity should also be set against comparative labour costs. According to the union figures total labour cost of a British-built Fiesta was \$215, of which the British input was \$215. In comparison, said the unions, the labour cost of a German Fiesta was \$488 of which the German element cost \$370.

that approval has been given by the British Government for the Peugeot-Citroën takeover of Chrysler's operations in Britain, France and Spain. British unions put strong pressure on the Government to secure the tightest possible guarantees from the French company, on the future of UK operations and Peugeot-Citroën has undertaken to sign a new planning agreement and has given assurances on the continuation of the British new model programme.

Peugeot-Citroën has said that it does not at present envisage plant closures or redundancies in Chrysler UK, but the unions will be seeking more detailed talks on the company's future intentions now that the takeover has been approved.

The French company will be inheriting in Britain a very different industrial relations structure to the one which has developed in its French factories, where company unionism is strong. Union leaders are determined to develop an organisation across national boundaries to try to influence the activities of the new multinational company and a series of international meetings are being arranged.

The competitive implications of the Peugeot-Citroën takeover of Chrysler UK is leading some British union leaders to the view that there will have to be collaboration between BL and a European motor manufacturer. A research report produced by the leading motor unions concluded last month that Leyland was too small for the international league and that closer contacts with a European manufacturer would be the best way of giving it the size and capability to compete effectively in world markets. Labour relations in Leyland continue to be dominated by the unrest among toolroom members of the Amalgamated Union of Engineering Workers who last year staged one of the most serious strikes which the company has ever had to face. The toolmakers are continuing to demand separate negotiating rights—something which neither the company nor their union is any more prepared to concede now than at the time of last year's strike—and action on pay differentials. After many months of warnings from the toolmakers' unofficial leaders that another dispute might be called the problem exploded around a

strikes by 32 toolroom workers at BL's SU Fuel Systems factory in Birmingham. After defying repeated calls to appear before the AUEW's East Birmingham district committee and explain why they were disobeying an instruction to return to work the committee decided to expel the toolmakers—leading to a decision by the official toolroom committee to call another all-out strike which the expulsions took effect.

Showdown

The expulsions were later withdrawn—avoiding, at least temporarily, a showdown between AUEW leaders and the official committee. However, Mr. John Boyd, general secretary of the AUEW, has since warned that members who refused to accept the discipline of the union must be penalised. This applied not only to the 32 strikers, said Mr. Boyd, but to the "small nucleus of self-appointed bureaucrats" who were threatening to call other members out on strike. The TUC must insist, he added, that no other union took into membership any AUEW members who deserved to be expelled.

These harsh words suggest that the power battle between AUEW leaders and the rebel toolroom workers is not over yet. Leyland could once again become the focus of a dispute over union power which could have an overwhelming effect on the company.

Both the company and the union hope that the issue will eventually be resolved by moves towards parity which are due for completion by November, 1979. This would give a common pay rate in all the toolrooms and put the toolmakers and other highly skilled workers at the top of a new company-wide graded structure. AUEW leaders have told the SU strikers that they would be prepared to try to bring forward the implementation date if there is a return to work and if productivity justifies it. In the meantime BL, which will be expected to keep within Government pay guidelines, faces the same pressure as Ford on the wage front. The BL Cars unofficial shop stewards combine is pressing to create the "£100 per week production worker," an ambition which would mean increases of up to £27 per week at some plants.

Alan Pike

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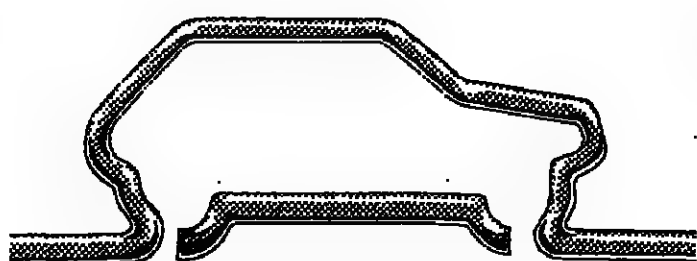
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Motor Industry Surveys 1979

The motor industry is facing massive reorganisation both in the U.K. and throughout Europe. The results of this reorganisation will in the long term have the effect of making vehicle production an area with far more international co-operation.

The Financial Times maintains a close watch on all aspects of the motor industry and a part of this coverage are the surveys which deal in detail with specific areas of the industry.

1979 will see this interest in the Motor Industry continuing and expanding. Below are listed the titles and provisional publication dates for Motor Industry and related surveys in the Financial Times.

January 18	Trailers
March 9	Tyres
March 29	Specialist Cars
April 30	Fleet Management and Financing
June 6	European Vehicle Components
July 18	Vans and Light Trucks
September 24	Commercial Vehicles
October 16	European Motor Industry

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The content and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

Kaunda in a cleft stick

By MICHAEL HOLMAN, Lusaka Correspondent



Kenneth Kaunda

PRESIDENT Kaunda of Zambia made the most painful decision of his political career when he agreed to fall back on the railway link through Rhodesia and to South Africa for handling exports of copper and imports of fertiliser. Of the landlocked country's two other railway links, the Benguela line through Zaire is out, and the Tazara link to Tanzania is not in condition to handle Zambia's full needs.

The Government-owned Zambia Daily Mail explained Mr. Kaunda's reasons in the bitter words: "The politics involved in the decision to open the southern route... (are)... the politics of survival brought about by the fact that all the people we counted upon as allies have decided to abandon us." The comment reflects both bitterness and the acknowledgment of a dire economic crisis.

Senior officials argue that the duplicity of the West has contributed to their country's plight. They cite the Bingham Report on deliveries of oil to Rhodesia, or the fact that the

U.S. imported Rhodesian chrome until 1977. These and other acts or omissions have extended the life of the Salisbury Administration, they say, while the cost to Zambia of sanctions and re-routing over the past five years exceeds £640m.

Dr. Kaunda's role face could cause him difficulties at the forthcoming Presidential and general elections on December 12.

As it is, there are doubts in some quarters whether he acted in time. Zambia's internal transport infrastructure is poor. There is a shortage of lorries, and roads are bad in rural areas. The railways need more locomotives, wagons and spare parts. Some 1.5m bags of last year's maize crop need to be collected by lorries which then must load at least 170,000 tonnes of fertiliser at railheads and deliver it to the farmers. This complex operation has to be concluded before the November rains if Zambia is to be able to feed its 5.6m people without outside help.

Informed sources in Lusaka maintain, in spite of government denials, that Zambia has been importing small amounts of coke from the Rhodesian mining centre of Wankie. However, the current exercise involves some 80,000 tonnes of fertiliser and about half of Zambia's 55,000 tonnes monthly of copper exports, traffic on that scale could not be concealed.

Most observers agree that even with the southern route open — and assuming that there is no rapid increase of the copper price — at least two tough years lie ahead.

In constant money values gross domestic product per head fell from kwacha 198 in 1976 to kwacha 185 last year (about £19 at present exchange rates), making it the lowest ever re-

corded, the Bank of Zambia said in its annual report for 1977.

Dr. Kaunda's decision to allow the Rhodesian premier, Mr. Ian Smith, to visit Lusaka twice in the past 13 months to hold apparently fruitless talks with Mr. Joshua Nkomo, co-leader of the Patriotic Front, has not brought a solution to the Rhodesian problem any closer. The visits strained relations between Dr. Kaunda and Presidents Nyerere of Tanzania and Machel of Mozambique.

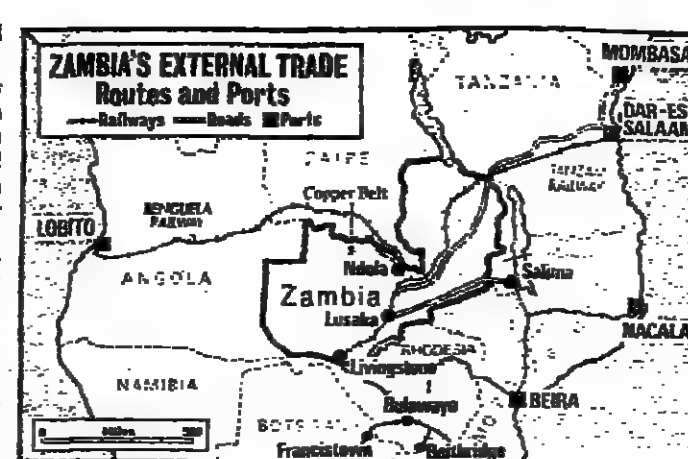
Zambian officials say the reopening of the southern link is permanent, and maintain that Mr. Smith extracted no *quid pro quo*. Many observers doubt the latter.

Since the Rhodesian Prime Minister now controls Zambia's lifeline, to what extent will he tolerate guerrilla attacks across the Zambian border? Mr. Nkomo has said that the move poses "some difficulties." But he said, "we are going to fight along the railway line. Nothing will pass there which we do not want to pass."

Unless that was mere rhetoric, the southern route could still be in jeopardy.

The economic benefit to Zambia can be set against the possible political problems of reopening the southern route. If all goes well and the fertilisers come, it will avert a disastrous failure of the maize crop. Receipts from the 100,000 tonnes of copper combined with regular future shipments will ease the acute foreign exchange shortage.

The mines will be able to import lubricating oils, equipment and spares. Above all, it should mean that the Government can keep to the programme agreed with the International Monetary Fund (IMF) in March in return for the offer of loans totalling \$390m. That in turn will stand Zambia in good stead when



approaching other sources of aid.

But the view among most businessmen is that the southern rail link can ease but not resolve an economic crisis the proportions of which emerged at a World Bank consultative meeting, held in Paris last June. A World Bank analysis of the problem, which included two scenarios of Zambian financing needs until 1980, was presented to delegates from the 20 countries and organisations attending.

The paper took into account a drastic reduction of imports which in real terms are only half of those in 1975.

The first scenario assumed that in real terms imports would remain constant. Shortages of essential imports would continue and GDP would fall. The current account deficit in 1978-1980 would be 560m kwacha, reduced to 360m kwacha after deducting external aid at present available. The second scenario, similar to one put forward by the Zambian Government, assumed sufficient expansion of imports to allow industry to resume normal production

and build up stocks. It envisaged a financing gap, after aid deductions, of 1,040m kwacha.

What must also be taken into account is the need to reduce the 16-month arrears of payments for imports and for remittances of profits and dividends. The bank was working on the basis of the March figure of 480m kwacha, and arrears remain at approximately this level. In addition, foreign exchange reserves, at present negligible, should be built up to cover three months' imports. That pushes the total foreign exchange needs over 1978-80 to 1.6m kwacha under the first and 1.8m kwacha under the second scenario.

Zambia's debt service ratio has been steadily increasing. At the end of 1977 the external public and publicly guaranteed debt (disbursed loans only) with a maturity of longer than one year amounted to \$1.3bn. The cost of servicing it was equivalent to 19 per cent of the year's exports, whereas in the late 1960s the service ratio had been 2 per cent. Zambia's capacity to service its debts in the years ahead will depend on

maintaining the regularity of its shipments of copper for export.

In terms of internal politics, the border decision will be a major issue during the presidential and parliamentary campaign. Under the constitution only one man may stand for president. He must be nominated by the United National Independence Party (UNIP) at its general conference. In July 1978 its feelings in the presidential election were clear. Dr. Kaunda has to win 51 per cent of the votes. Mr. Kapwepwe, Mr. Harry Nkumbula, once leader of the defunct African National Congress, and a little-known businessman, Mr. Robert Chilwe, announced that they would challenge Dr. Kaunda for the nomination.

Mr. Kapwepwe, a member of the powerful Bemba tribe, was seen as the main challenger, from a platform of economic pragmatism which included a call for the reopening of the Rhodesian border and immediate denationalisation of certain state-owned industries. Mr. Kapwepwe in 1971 broke with President Kaunda and formed the United Progressive Party (UPP). It was banned in 1973 and Mr. Kapwepwe and other senior officials were detained for several months. Last September he rejoined UNIP in what now appears to have been an attempt to challenge Dr. Kaunda from within the only legal party.

Last month the UNIP general council, meeting to nominate a presidential candidate, passed a constitutional amendment requiring candidates to have been members of the party for five years, thus excluding Mr. Kapwepwe. The legality of the amendment is currently being tested.

Some observers suggest that Dr. Kaunda's decision to reopen the southern route will boost his popularity particularly if it

brings more goods in the shops by the election. Others believe that the electorate, resenting years of shortages, will see it as a vindication of Mr. Kapwepwe. Should the new parliament reflect the latter view, a clash between parliament and President Kaunda, supported by the UNIP central committee, is conceivable.

The electorate could also vent its feelings in the presidential election. Dr. Kaunda has to win 51 per cent of the votes. Mr. Kapwepwe, Mr. Harry Nkumbula, once leader of the defunct African National Congress, and a little-known businessman, Mr. Robert Chilwe, announced that they would challenge Dr. Kaunda for the nomination.

Evidence of a military build-up in this front-line state coincides with these events. In spite of denials by President Kaunda and Mr. Nkomo, western diplomatic sources continue to claim that about 75 Cuban military advisers are in ZAPU's Zambian camps. Russian arms shipments for ZAPU are arriving regularly at Lusaka Airport, and Mr. Nkomo's army of some 18,000 men — half of whom are based in Zambia — receives recruits from Rhodesia every day. The 14,300-strong Zambian armed forces, lacking the command and counter-insurgency capacity of the Rhodesians, are reduced to providing what protection they can to ZAPU camps, and to futile exchanges of fire across the Zambezi.

A conventional response to the frequent Rhodesian incursions — such as air attacks on towns and installations — has been ruled out, partly because Zambia, while prepared to provide what it calls "a reliable rear base" for ZAPU, is not prepared to fight Mr. Nkomo's war for him. Furthermore, the inevitable Rhodesian retaliation would "internationalise" the war, something the Zambians



Simon Kapwepwe

believe Mr. Smith would welcome.

The possible shifts in Zambian politics in the months ahead are difficult to forecast. The pragmatic approach of Mr. Kapwepwe wins the support of most of the business community and undoubtedly many Zambians believe that the economic depression could have been reduced by timely and appropriate decisions. But there is also a powerful group in the UNIP central committee — the country's decision-making body — which wants to shift Left and to closer associations with the Socialist bloc. One policy implies a live-and-let-live attitude to Rhodesia and South Africa. The other carries the prospect of a major conflict across the Zambezi. What lies ahead is the likelihood that the continuing economic problems, the main reason for strain within the one-party system, will test the President's considerable political skills, and Zambia's reputation for tolerance and stability.

Letters to the Editor

Nuclear power

From Mr. G. Hockley
Sir, — Professor Grant (October 12) quotes the estimates of the Health and Safety Committee to support his contention that nuclear power is safer than other power sources. These estimates have been criticised by the Committee as well as being highly qualified by the committee itself. They exclude any effect of severe accidents; the one-in-a-million chance Professor Grant originally asked us to consider. Survivors of such an accident may be considered by the committee's statement that "the probability of these events is so small that they would have no significant effect on the long-term averages." Risk estimates for nuclear power generation and reprocessing are based on accidental deaths of 11,000 people during 1970-77 as reported by British Nuclear Fuels. Some of the sharpest criticism was made by the Flowers Sixth Royal Commission Report on Environmental Pollution in 1976 about the monitoring of health effects and statistical evidence (paragraph 74), and as a result this statistical evidence was not considered by the Windscale Enquiry (paragraph 10.47). Figures for deaths in nuclear power are biased downwards for two reasons. Employees who died after leaving the nuclear industry are excluded, and some of the effects on workers past and present will not yet be apparent. The first point alone is sufficient to make these figures meaningless.

Mr. Vey, director of information services of the UK Atomic Energy Authority in the same issue continues to rely on the misleading safety figures. He also states there is no evidence of interference with civil liberties "nor is there any reason why (nuclear power) should do so." The Flowers report paragraph 18.5/6 and the Windscale Inquiry chapter 7 give the lie to Mr. Vey's assertion. The apparent necessity of nuclear proponents to base their case on discredited statistics and arguments only serves to cast doubt on their case that a greater use of nuclear power will be safer than the alternatives.

S. C. Hockley
Senior Lecturer in Economics,
University College, Cardiff.

Accountancy papers

From Mr. G. Ledebor.
Sir, — Mr. Schaller's cri-de-coeur (October 13) regarding changes in examiner's thinking fails to mind the perhaps hourly joke about the undergraduate who couldn't understand why the economics paper set the same questions each year. The reply came: "The questions may be the same, but the answers are always different."

P. Ledebor.
Pinewood, Framwood Road,
Eulmer, Buckinghamshire.

Examiners' thoughts

From Mr. R. Goodrich.
Sir, — One never ceases to read complaints about the problems of passing the examinations of the Institute of Chartered Accountants in England and Wales and these tend to concentrate on the difficulty of predicting what the examiners are thinking. I suspect that their efforts take into account the need to establish whether the candidate can do more than reproduce what some accountancy school has anticipated.

Transkei's land

From the Press and Publicity Officer,
Transkei Information Office.
Sir, — On October 4, Mr. Qondiso Pele described the proposed resettlement of the South African Government for squatters from the Ciskei to an area scheduled for consolidation into Transkei.

Paramount Chief K. D. Matanzima, the Prime Minister of Transkei, was never consulted about this discreditable proposal. Building activities began in secret and the Prime Minister only learnt about it because the preparations were taking place less than two miles from his own farm.

Paramount Chief Matanzima sent a cable to the United Nations Commissioner for Refugees pointing out that this resettlement would involve separation of families and would create an artificial but tragic refugee problem by concentrating thousands of urban Africans into an area which South Africa intends to hand over to a neighbouring country. Chief Matanzima demanded a meeting with Mr. P. Botha, and this took place on October 5 when Chief Matanzima insisted that work on the township should stop and that the land be handed over to Transkei to be used for agriculture. He made it quite clear that Transkei had no responsibility for the inhabitants of Crossroads, only a minority of whom are Xhosa-speaking.

On October 12, all traces of building works were removed from the area, and the South African Government confirmed that the land would be handed over to Transkei in June, 1979, as originally agreed.

Paramount Chief Matanzima's refusal to accept this proposal, and his actions in confronting the South African Government to not have thwarted attempts to not have thwarted development policy into practice on land which is to be consolidated into Transkei, a country which rigidly opposes apartheid.

Shirley Blyth,
Transkei Information Office,
35, Dover Street, W1.

Index funds

From Dr. W. Scott.

Sir, — Mr. D. C. Damant (October 12) paints a misleading picture for trustees of investment funds.

The index fund concept has been the subject of fashionable debate in academic circles in

North America. It has achieved rather less appeal in practice. The United Kingdom investor should note that an index fund, by definition, always underperforms the index.

The index has no liquidity. An appropriate fund always has some effective liquidity. Although in theory the time-weighted return measurement should adjust for this, it seldom does in practice. The reason is that the measurement interval is too large (typically one month or more). The shorter the interval, the more the index fund experiences no dealing cost. But for a UK investor someone has to pay the 2 per cent stamp duty. In the performance returns this 2 per cent is taken into account. An index fund in its constant search to mirror the index structure deals regularly and in small amounts. In many cases it will pay stockbroker commission at the top end of the scale rather than deal in economic size. If it does not then it is not an index fund.

For the real world investor, there is a difference between the bid and the offer price in the market. An index suffers no such penalty.

Index funds are intrinsically anti-capitalist. A share index is an arithmetic average of the average. Some companies ascend, some descend and others disappear. In relation to their prosperity, an index makes no distinction between them. A professional investment manager does.

The market is only retrospectively efficient. All the information is available to make it more efficient. Not all the participants in the market equip themselves with as much information as is available.

Mr. Damant refers to the fact that in the period 1970-73 only the upper quartile of managers in the Bacon and Woodrow sample out-performed in the equity sector. Surely this is not a disappointment. It is a normal conclusion in any market.

Excellence by definition is above average. Trustees aim to select excellence when they select an investment manager.

Dr. J. Walter Grant Scott,
Ivory and Sime,
1, Charlotte Square, Edinburgh.

Energy savings at all costs

From Mr. J. Goodland.
Sir, — Are not some officials and official spokesmen in danger of being carried away by this craze for energy saving at all costs and in all directions?

We have plenty of coal and electricity, both having low import content and limited export potential. Why industrial and commercial users of these fuels, in company with those on oil or gas, should be warned of "forceful" Government intervention should they fail to take adequate energy saving measures is difficult to understand. Why the warnings should have been delivered by the deputy chairman of the National Enterprise Board (October 11) is also a mystery: can one assume that firms which fail to save energy are in some special need of NEB support? Indeed, it would be interesting to know how much Government money has gone into the installation of oil and gas appliances in publicly assisted industries or establishments. Switch all public buildings to coal and the war would be won!

Our huge stocks of industrial coal — distributed and at colliery sites — may well force the closure of collieries with marginal economies but with workable reserves, which could thus be lost for ever. That is the anti-thesis of energy conservation.

In the light of our coal reserves on shore and offshore

(and present stocks) and spare electricity generating capacity (there's no need for nuclear) it is almost criminal that natural gas should be promoted so heavily — often in the very name of energy conservation — while indigenous reserves are unlikely to outlast the useful lives of appliances now being installed, with current supplies being increasingly augmented by imports, at a much higher cost than year to year.

Tax natural gas in the way that fuel and gas oil are taxed (the present 25p/gallon duty could also be increased as an overdue conservation measure to make up for the declining real value of the duty as a conservation burning appliances — now that would be the making of a sensible energy conservation policy with the chance of a major contribution from minerless coal and renewable sources in the next century.

Incidentally, your "Managing Energy" supplement on the 10th was excellent. I could only register one fault, in Kevin Done's "Fierce competition for suppliers." Domestic solid fuel has ousted iron and steel into third place among the Coal Board's markets, and is shooting out for more supplies. Why of all fuels, only domestic coal should be in short supply is a question only Bobart House can answer. There is a long-founded suspicion in the coal distributive trade that we (yes, I'm a coal Board's marketer and a shooting target for more supplies, why of all fuels, only domestic coal should be in short supply is a question only Bobart House can answer. There is a long-founded suspicion in the coal distributive trade that we (yes, I'm a coal Board's marketer and a shooting target for more supplies, why of all fuels, only domestic coal should be in short supply is a question only Bobart House can answer. 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COMPANY NEWS+COMMENT

BSG up 50% but warns on Ford strike

ON TURNOVER up by over £50m from £101.3m to £151.3m pre-tax profits of BSG International increased by £1.6m to £4.81m for the first half of 1978—a rise of 50 per cent. Profit for all of 1977 was a record £7.74m.

Mr. Harry Cressman, the chairman, says that the directors are confident the group has the organisation and management to continue its expansion both in the UK and abroad.

Indications for the second half are that BSG will continue the pattern of the first period and also that, as in previous years, the second half will be more profitable.

However, this situation is clouded by the Ford strike and, he says, it remains for the group to do its utmost to minimise the effects of this industrial dispute. "The implications of the industrial dispute at Ford Motor Company make it impossible for us to forecast the effects upon the group," Mr. Cressman states.

Included in the figures for the first half is a contribution from Britax Weathershields from February 1, 1978, but the figures do not include Britax, Vaux, formerly Vaux Auto Holdings, which was acquired in July 1978.

On July 11, 1978, the bulk of the group's stake in "W" Ribbons was sold and figures for the period from this source are not included this year—the comparative half's figures include profits of £210,000.

Turnover 1977 1978
£101.3m £151.3m
Profit before tax 1977 1978
£4.81m £7.74m

Pre-tax figure was struck after lower interest of £1.6m against £2.13m and was subject to a tax charge. ED 16 adjusted of £238,000 against £805,000 split as to UK £297,000 (£233,000) and overseas £381,000 (£296,000).

The net interim dividend payment per 10p share, 0.9168p (0.7p), is up by the maximum increase permitted for the year—last year's final was 1.4233p.

The directors state that it is their aim to improve the return to shareholders as profits warrant and that they have made an application to the Treasury to achieve this objective under the dividend cover relaxation rule.

Within the motor trade the group's leasing business is continuing its rapid expansion and Mr. Cressman says that Welford Truck Bodies goes "from strength to strength."

Subsidiaries in the vehicle accessory and component division are continuing to expand their range of aftermarket products for cars and motor cycles, he says. And the expanding market in sunshine roofs in Europe and the

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Brook Street Bureau	30	7	Rugby Portland Cement	32	1
BSG Ind.	30	1	Senior Engrg.	34	2
Campari	34	4	Sime Darby	30	3
Close Bros.	34	6	Steel Bros. Hldgs.	30	5
Dorington Inv.	30	4	Tyzack (W. A.)	30	3
Dowling & Mills	32	1	Wood & Sons	34	5

U.S. gives the directors every confidence in the future development of Britax Weathershields.

However, the economic climate for products in the industrial fasteners and steel manufacturing sectors of the group has not moved ahead as directors had hoped, but faster distribution is improving, the chairman says, and the expansion programme is continuing.

Steel fabrication companies continue to have a stable market and again increased their contribution. Rumours, after a poor year in 1977, is doing very well in aircraft seating, and the order book and prospects are excellent.

Also, Hostess Furniture has returned to profitability, and although demand has not yet fully recovered, the directors believe it will make its rightful contribution within the foreseeable future.

comment

While BSG's manufacturing interests have overall performed well it has been the motor distribution side that has been the strong runner. Half time profits for the group are 50 per cent higher which compares well with other distributors; vehicle distribution now accounts for 53 per cent of profits against 45 per cent last year. Much of the growth here reflects the growing demand for leasing, which at 15 per cent of sales, is the feature seen of a number of years ago. All being well BSG could now be heading for about £11m pre-tax but the strike at Ford is a worrying feature. Fords now account for about 20 per cent of BSG's business and stocks are running extremely low. Moreover, Vauxhalls (the Cavalier is now popular with fleet operators) are also in short supply. Clearly the supply of vehicles holds the key to the outcome for 1978 but what is lost this year will presumably be made up in the next with fleet operators merely delaying any changes. So while borrowings still remain relatively high—£18m against shareholder funds of £25m, excluding goodwill in the last balance sheet—a possible prospective p/e of 3.3 at 41p (based on a first half tax charge) and a yield of 8.5 per cent does seem an over cautious rating.

W. Tyzack recovers in second half

FOLLOWING THE £107,426 drop to £117,790 at halfway, taxable profit at W. A. Tyzack and Co. more than doubled in the second half to leave the July 31, 1978, year result up from £433,405 to £541,274. Turnover was 27.3 per cent higher, directors say.

After tax of £284,448 (£230,914) net profit went ahead from £202,491 to £256,826. At half time, directors said that while a more satisfactory half year was expected, the total profit would be well short of the 1977-78 figure. The final dividend of 1.0506p net per 10p share takes the total from 1.274p to 1.4233p. The group manufactures precision engineering components.

J. T. Parrish doubled at halftime

Following a depressed £52,000 for the 1977/78 year, the directors of J. T. Parrish, departmental store and property development concern, report taxable profits more than doubled to £78,000 for the 26 weeks to July 28, 1978 against £37,300 Turnover for the period was up from £1.61m to £1.8m.

The directors state that results to date indicate a satisfactory outcome for the full year.

Sime Darby auditors supported

Turquand, Youngs and Company, the auditors which the board of Sime Darby wants to sack, received limited support from Robert Fleming, the London merchant bank, yesterday.

One of Fleming's investment advisers, who looks after investment trusts holding over 800,000

Sime Darby shares, said that the reasons so far given by the Sime Darby board were not good enough. Sime has stated that it wants to take the audit to rival firms, Price Waterhouse, because of its superior international coverage. But Mr. Arthur Clark of Fleming said yesterday that the board would have to show that shareholders were suffering some harm from the use of Turquand. The auditors were employed by the shareholders not by the company officials, he said.

Mr. Clark will not make up his mind how to advise his clients until the Sime board officially gives its reasons for the sacking and the auditors send their reply. He emphasised that his views were not necessarily those of Robert Fleming as a whole and that the trusts he advised were free to reject his advice.

Meanwhile in Kuala Lumpur, Turquand intends to hold a press conference on Wednesday morning to repeat its objections to the lack of explanation for its dismissal.

Dorington advances at six months

Pre-tax profits of Dorington Investment Company advanced from £301,000 to £389,000 for the six months to September 30 1978 and the directors are optimistic that the second half figures should at least equal those achieved in the first.

Turnover split as to gross rents and property sales finished the half ahead at £213,000 (£209,000) and £2,384,000 (£2,200,000) respectively.

The interim dividend is stepped up to 1.55p (1.4p) net per 10p share—last year's final was 1.8894p from pre-tax profits of £527,000.

The market for residential property in London has been buoyant, the directors state, and competition for the acquisition of high quality blocks of residential property continues to be intense.

They have been able to compete effectively for new acquisitions and are satisfied that they have the resources to continue to do so.

Net profit came out at £177,000 against £144,000 after tax of £192,000 compared with £157,000 and the directors say that although tax has been calculated at 53 per cent, the actual liability may be reduced at the year end, as a result of stock relief.

MR. LESLIE MARLER

Mr. Leslie Marler, now 78, is resigning as chairman of Marler Estates. He has accepted an invitation from the Board to act as a consultant.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current payment	Date of payment	Current payment	Date of payment
Allied Plant	0.4	Jan. 28 0.3	—	—	—	—
Brook St.	1.31	Jan. 2 1.17	—	—	—	—
BSG Int'l	0.92	Jan. 2 0.7	—	—	—	—
Dorington	1.63	Nov. 30 1.4	—	—	—	—
Forward Technology	3.91	Nov. 30 2	—	—	—	—
Senior Eng.	0.65	Nov. 30 0.55	—	—	—	—
Steel Bros.	4.73	Dec. 19 2.5	—	—	—	—
W. A. Tyzack	1.06	—	0.91	1.42	—	—
Wood & Sons	0.67	Nov. 21 0.53	—	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 15 months. § Includes additional 0.0055p now payable.

Slight fall at Steel Bros.

A SMALL decline in pre-tax profits from £3.3m to £3.14m for the first half of 1978 is reported by Steel Brothers Holdings, international trader and manufacturer, and arises from the conversion of foreign earnings into sterling, particularly in the case of the Canadian dollar.

The directors say the full year profit is likely to show some reduction from the record £5.16m of 1977, as, in addition to exchange differences affecting overseas earnings, conditions generally in the Middle East have been less buoyant with the result that a smaller contribution is expected from this source.

However, subject to the effects of further changes in exchange rates from current levels, net profits, excluding extraordinary items, should show little change from last year's comparable figure of nearly £2m, they add.

Half-yearly profits attributable to ordinary holders were up slightly from £1.56m to £1.59m. The interim dividend is lifted to 2.70p (2.5p) net per 25p share, costing £202,238—last year's final was 4p.

Turnover split as to gross rents and property sales finished the half ahead at £213,000 (£209,000) and £2,384,000 (£2,200,000) respectively.

The interim dividend is stepped up to 1.55p (1.4p) net per 10p share—last year's final was 1.8894p from pre-tax profits of £527,000.

The market for residential property in London has been buoyant, the directors state, and competition for the acquisition of high quality blocks of residential property continues to be intense.

They have been able to compete effectively for new acquisitions and are satisfied that they have the resources to continue to do so.

Net profit came out at £177,000 against £144,000 after tax of £192,000 compared with £157,000 and the directors say that although tax has been calculated at 53 per cent, the actual liability may be reduced at the year end, as a result of stock relief.

cent lower—disappointed the market and the shares dropped 20p to 215p. A further worrying factor must be the less buoyant trading conditions in the Middle East (53 per cent of profits) where Steel has a food and catering interest. Generally, though, trading conditions were good and foreign earnings were higher in local currencies. The shares yield a prospective 5 per cent assuming a 10 per cent increase in the dividend. The high overseas exposure must mitigate against short-term growth if Sterling continues strong.

Midway rise for Allied Plant

ENTIRELY DUE to organic growth, pre-tax profits of Allied Plant Group more than doubled from £24,000 to £206,900, on turnover of £2.45m against £1.63m for the first half of 1978.

Mr. Michael Heathcote, the chairman, says last November's reorganisation, including an increase in share capital, has laid the basis to expand existing activities.

"This internal expansion is gathering momentum and can be expected to have a favourable impact on results for the full year," he states.

In July, when reporting on profits of £242,000 (£226,000) for 1977, the chairman forecast a record year in 1978.

Mr. Heathcote now adds that the directors, with further growth in mind, are presently looking at propositions in areas allied to existing activities.

These include hire of fork lift trucks and plant for the construction industry, structural steel engineering, heating and ventilation, provision of portable accommodation and housebuilding and contracting.

The net interim dividend is stepped up from 0.3p to 0.5p per 10p share, costing £26,332 (£20,000), after waiver of £3,648—last year's final was 0.405p.

In 1977, the group turned in a



Mr. Eric and Mrs. Margery Hurst, the joint chairmen of Brook Street Bureau of Mayfair.

First half upsurge for Brook Street

IN THE first half of 1978, Brook Street Bureau of Mayfair more than doubled its profits, from £37,486 to £738,430, on turnover 40 per cent ahead at £2.95m.

And the current levels of trading continue to be buoyant. Mr. Eric Hurst, who is joint chairman with his wife Margery, says it looks like being a good year and the economic barometer is set fair. "We seem to be in for a fairly good run less there is some drastic downturn in the economy."

Employment agencies are having boom trading conditions. Brook Street is the second agency in less than a week to announce pre-tax profits more than double. The main factors appear to be an unexpectedly high demand for temporary staff plus strong improvements in margins from higher throughput. The agency cut back to weather the level of general economic activity so the upsurge in demand has been met by existing capacity which is basically the same behind the scenes margins. The Australian operation, which has been back towards the black after £70,000 loss last year, is expected to break even for the year as a whole. Current trading is described as buoyant and good result is anticipated. If an annual dividend is raised to 10 per cent the yield is 4.3 per cent at 85p, though the company is hinting at an above average increase.

Brook Street is opening a new branch in Paris in January, and intends to open more in the U.S. (there are already four there). Over the next two years some £1m will be spent in the U.S.

The interim dividend is being raised from 1.175p to 1.31p net per 10p share, and this is more than justified by the rapid growth of both profits and profitability coupled with the significant reduction in the losses of the Australian subsidiaries—in the half year they were £12,000, against £120,000 a year ago.

To increase the share market, the directors are proposing a one-for-two scrip issue. In 1977, the group turned in a

NOVEMBER AGM AT WILLIAM JACKS

As the year-end of William Jacks and Co. has been changed from June 30 to December 31, the report and accounts will be filed with an AGM in 1978, directors report. However, AGM companies will be held in 1978, and has therefore been convened for November 1.

We may have shocked some people with our growth

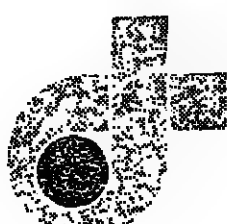


This generator rests on flanges and brackets of Permalit densified wood laminate.

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INTERIM REPORT

RUGBY CEMENT

First half year another record

The Directors of The Rugby Portland Cement Co. Ltd. announce that the unaudited Group results for the six months to the 30th June 1978 were as follows:—

	6 months to 30th June 1978	6 months to 30th June 1977	Year to 31st December 1977
	£'000	£'000	£'000
Turnover			
United Kingdom	38,256	31,433	67,002
Overseas	11,275	10,480	20,835
	49,531	41,913	87,837
Trading Profit			
United Kingdom	4,080	3,128	8,284
Overseas	1,841	1,839	4,068
	5,901	4,967	12,352
Interest Received and Investment Income	802	1,841	2,784
Interest Paid	(426)	(747)	(1,294)
Profit before Taxation	6,277	5,861	13,822
Taxation			
United Kingdom	1,715	1,475	3,990
Overseas	914	813	1,833
	2,629	2,288	5,823
Profit after Taxation	3,648	3,573	7,999
Minority Interests	163	146	338
Profit attributable to the Shareholders	3,485	3,427	7,661

Taxation includes an equalisation charge calculated on the same basis as last year of £1,250,000 (1977 £1,640,000)

At the Annual General Meeting held on the 13th June 1978 it was stated that if the rate of Advance Corporation Tax was confirmed at less than 34/60ths, the Board's intention would be to increase correspondingly the dividends announced on the 17th April.

The dividends to be paid on the 29th October to shareholders on the register on the 7th July will, accordingly, be as follows:—

On the 25p Ordinary Shares:
Supplementary 1977 final dividend 0.027p a share costing £19,008
1978 interim dividend 1.865p a share costing £1,312,960
(1977: 1.871p a share costing £1,176,384)

On the 5p Participating (n/v) Shares:
Supplementary 1977 final dividend 0.028p a share costing £9,072
1978 special interim dividend 2.030p a share costing £657,720
1978 interim dividend 1.193p a share costing £386,532
(1977: 1.069p a share costing £346,356)

The interim dividends other than the special interim dividend with associated tax credits result in an increase of 10% over the corresponding 1977 dividends.

The dividends on the Participating (n/v) shares are the last to be paid on those shares; following the Scheme of Reorganisation there is now one class of Capital comprising 94,490,835 Ordinary Shares of 25p each.

As announced in April the Board intends, in the absence of unforeseen circumstances, to recommend a final dividend for 1978, payable in July 1979, at a level which produces an increase of just over 12% on the total gross Ordinary dividend rate for 1977.

The interim profit is the highest yet reported for a first half year. This was achieved despite the fall in net interest received which reflects the fall in interest rates and the expenditure on capital projects in progress. Additionally the delay from March to June, in fully implementing an increase in the price of cement cost the Company about £750,000.

In the United Kingdom our cement sales tonnages were usefully higher; this trend has continued into the second half year.

Continued progress is being made with the Rochester extension and the Southern conversion.

Although Rom River showed some improvement over the first half of last year, conditions continue to be difficult in the reinforcement industry.

Royd-Carpenter

Chairman

Motor rallying's spin-off market

ONE OF the few concrete examples of motor sport translating directly into sales is recalled by Sig. Daniela Audetto, competitions manager of Fiat. The Fiat team for the Singapore Airlines-sponsored London to Sydney rally in 1977 comprised three diesel-powered Mirafiori cars. They were entirely new to Singaporeans. But Singapore taxi-drivers were so taken with them that within a few weeks requests for 3,500 had arrived in Turin.

Competitions-based, high-performance versions of production line cars have established a niche for themselves in the British market, with sales this year expected to reach 30,000, worth some £135m. The latest company moving towards a stake in this market is Chrysler, which hopes to launch both in the UK and Europe a 2.2 litre Lotus-engined version of its Sunbeam hatchback.

The launch will take place in the months after this week's Motor Show, provided an engine supply agreement with Colin Chapman's Lotus organisation can be finalised.

In doing so Chrysler will be following in the footsteps of other major European manufacturers, notably Ford, Vauxhall, Fiat and Opel, which make big-engined, expensive versions of their mass-market small cars.

As with the other manufacturers, however, Chrysler's first reason for producing the car is not directly linked to sales at all; rather it is to give the Sunbeam legitimate entrance into the top level of motor rallying, and the prospect of reaping a rich publicity harvest provided by the top event in the world calendar. Britain's own RAC Rally, plus the seven other World Rally Championship events in Europe.

But the rules of the sport's world governing body, the Federation Internationale de l'Automobile, state that cars competing in WRC events must have similar specifications to those which can be bought by the general public. Further, the FIA insists that at least 400 such cars must be sold.

This led to the introduction into the showrooms of cars which, at first, most of the manufacturers would have been content not to make at all: the Ford RS1800 (now discontinued), the Kadett GT/E, the Fiat Mirafiori Rallye Abarth and Vauxhall's Chevette 2300 HS. But with the Sunbeam, Chrysler is expected to go further than other manufacturers in incorporating the competition-based car into its model line-up and to give it a formal launch as the flagship of the Sunbeam range. Chrysler's competition manager, Mr. Des O'Dell, has been evaluating a roadgoing version during the past few months and it has recently been shown to some major dealers. The competition car, while not



Top left, Fiat's Mirafiori Abarth Rallye; top right, Vauxhall's Chevette 2300 HS, a cheaper version of which is being considered; bottom left, Ford's successful Escort RS 2000; bottom right, Chrysler's Sunbeam, which is the subject of talks with Lotus.

conforming to World Rally Championship regulations—and thus so far not eligible for WRC points—has already been in action this year, its best result being second place overall on the Mille Pistes rally in southern France in July.

It will not, however, be seen on the RAC Rally, which starts from Birmingham late next month. While Chrysler has given up motor racing to concentrate on rallying, this year's appearances have formed only part of a development programme which next season should see Chrysler competing for outright WRC victories.

The roadgoing Sunbeam, like its immediate rivals, is certain to be pitched above the £5,000 mark, double the price of more standard versions. The Chevette sells for £3,300 and the Kadett for £5,100, while the 400 Abarth Rallyes that Fiat produced were snapped up in Italy, where motor sport is a national passion; at a price approaching £8,000.

But while production of these immediate relatives of the competition cars has been limited, less expensive but still very much performance-oriented versions have proliferated.

Fiat will aim at this market with its launch at the Birmingham Motor Show of the Mirafiori Sport—to be sold in Europe as the Mirafiori Racing—with a two-litre overhead camshaft engine and 112 mph capability at £4,384. Meanwhile, Ford has just revised its own competitor in this market, the two-litre Escort RS 2000. In favour of a raised interior specification to boost its image of sophistication at £4,400, and a cheaper version pitched just below the psychologically important £4,000 mark.

The RS 2000 has proved an unexpected success for Ford. Made at the Saarlouis plant in Germany, it has far outstripped

original expectations, and production so far this year is close to the 5,000 mark.

British Leyland is represented in this market with its now ageing Triumph Dolomite Sprint. But with another, cheaper version of the 2.3 litre Chevette under consideration by Vauxhall, a similarly cheaper version of the 2-litre Opel recently introduced into the UK. Volkswagen's fuel-injected Golf GTi and Renault's own candidate, the Renault 5 Alpine—in sold in Britain from early next year as the Gordini—the small "supercar" market is becoming highly competitive and starting to assume some importance to manufacturers.

Chrysler's expected debut in World Rally Championship events will mean that all of Britain's four volume manufacturers will be represented. BL's position is slightly different from the others, however, in that its vehicle is the V8-engined Triumph TR7 sports car. This fell victim to the Speke closure resulting in the cancellation of its planned launch on the U.S. market this summer.

But BL says that it managed to get 400 of the cars built between July and November, 1977—well before both the Speke closure and its application to the FIA for competition "type approval" from April 1 this year.

Chrysler's move serves to illustrate the greatly increased emphasis that Europe's manufacturers have come to place on motor rallying as a promotional exercise. And it was dramatically reinforced at the recent Paris show, where the new, mid-engined and turbocharged Renault 5 Alpine was unveiled. With 200 bhp, the car was one of the main talking points of the show. It is to be type-approved for competition by the end of next year and is also clearly a potential con-

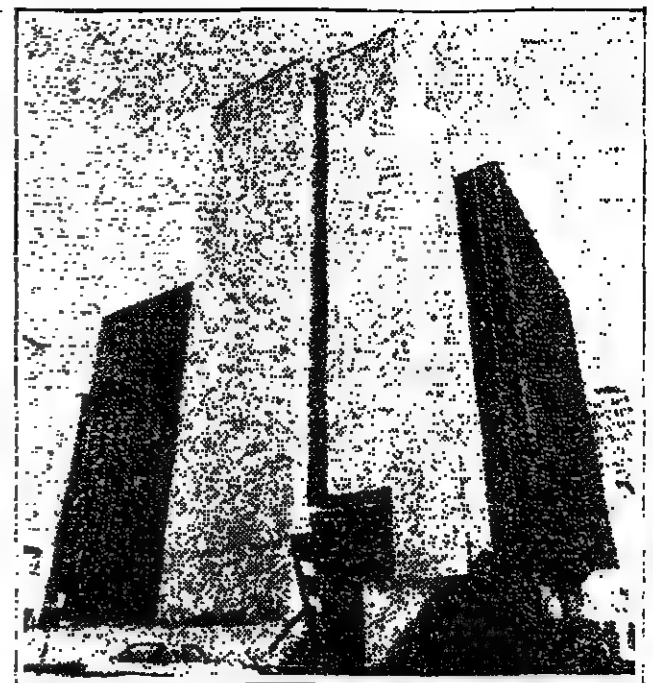
correlation. In particular, BL's reinvestment of the past few years has served to lower the age profile of buyers who had been steadily moving into the older bracket.

Nevertheless a hitherto unpublished study undertaken by Ford some time ago does throw some light on how the man in the street has perceived motor sport in terms of what car he decides to buy with his hard-earned cash.

A survey taken among 1,191 new car owners in Britain, Germany, the Benelux countries, France, Sweden and Switzerland showed almost one-half professed to be "very" or "fairly" interested in motor sport—the figure for Britain was 43 per cent. Seventy-three per cent of the sample considered that the average motorist derived "much" or "some" benefit from manufacturers' participation in rallying, and 63 per cent felt events involving production car-based racing produced similar benefits. In Britain, 76 per cent believed rallying was of benefit, against 68 per cent for racing.

To the question, which events were most beneficial to the average motorist, 39 per cent opted for rallying, 26 per cent for saloon car racing—and 12 per cent for grand prix and other types of racing. British motorists awarded rallying 33 per cent and saloon car racing 21 per cent. Eighty-eight per cent listed tyres as the single feature most improved—91 per cent in Britain—with road-holding (87 per cent overall, 88 per cent Britain), brakes (85/87), engine performance (84/87) and overall reliability (78/82) close behind.

A source of considerable satisfaction to Ford, no doubt, was that its own name was mentioned—by 61 per cent of the sample—as the manufacturer associated with motorsport. Twenty-six per cent named it as the most successful in motor sport, and 25 per cent as the company benefiting most from its own research does indicate a



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Today's lesson is about malt.

Every popular whisky is made from blending pure malt whiskies and less expensive grain whiskies.

The more malt (which costs at least twice as much as grain)—the more character it has. The more distinctive its taste.

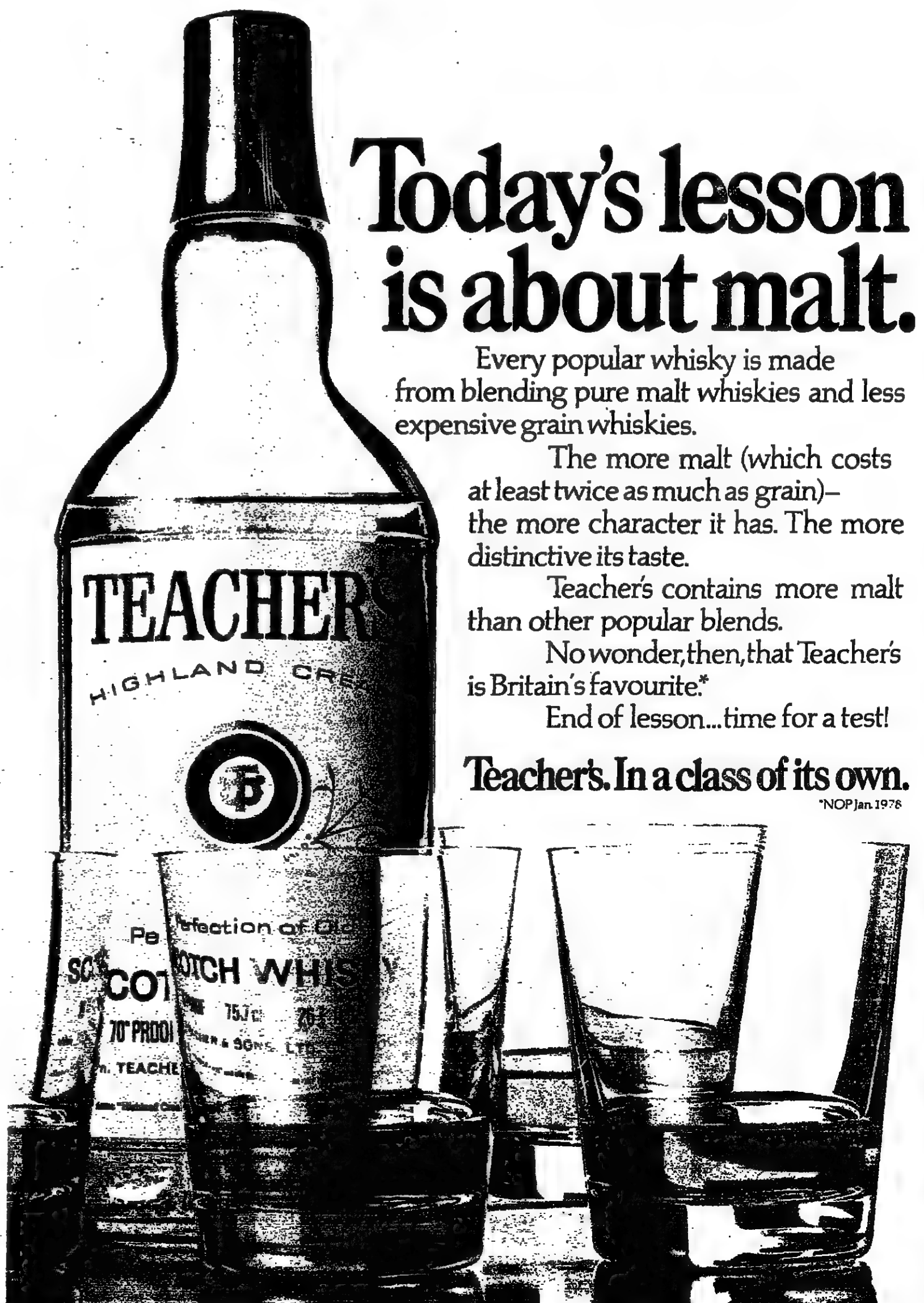
Teacher's contains more malt than other popular blends.

No wonder, then, that Teacher's is Britain's favourite.*

End of lesson...time for a test!

Teacher's. In a class of its own.

*NOP Jan. 1978



The people with the biggest stake in Japanese industry choose Toshiba.

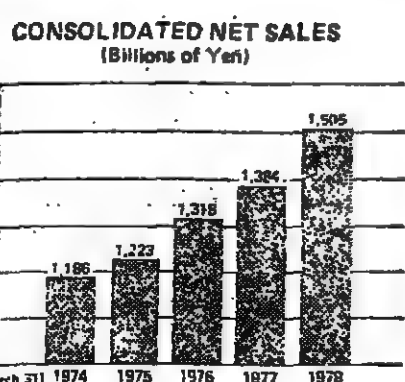
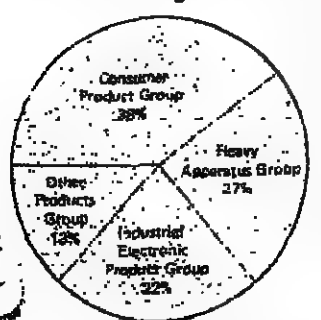
According to a recent independent survey,* in 1977 Toshiba ranked second among all Japanese companies as the favourite choice of employer among the country's engineering undergraduates. And with Japan's lifetime employment system, choosing a company is one of the most momentous decisions in a person's career.

Why do so many of Japan's elite students rate Toshiba and its prospects so high?

They know that Toshiba is a powerhouse of the country's economy, ranking 37th in Fortune's 1977 line-up of industrial corporations outside the U.S. A company whose worldwide activities are firmly founded on its massive strength in the domestic sector. A leader in fields as diverse as heavy apparatus, industrial electronics and consumer products, manufacturing giant power plants, electronic-controlled industrial and transportation systems, advanced semiconductor devices, satellite communication systems, sophisticated medical equipment, state-of-the-art audio and video equipment, reliable home appliances, etc.

They know because they make it their business to know. Their whole future depends on it.

*Nippon Recruit Centre Annual University Undergraduates Employment Motivation Survey, 1977.



TOSHIBA
TOSHIBA CORPORATION

Rugby Portland 7.1% higher

AFTER A halving of interest received and investment income, pre-tax profit of Rugby Portland Cement Company advanced 7.1 per cent from £5.8m to a record £6.2m in the first half of 1978.

Stemming mainly from UK activities, trading profit was 18.9 per cent higher at £5.8m, a 12.4 per cent increase in turnover from £41.9m to £47.3m.

The directors explain that the fall in interest received reflects not only lower interest rates but also high capital expenditure. At the same time the delay between March and June in fully implementing the cement price increase cost the company about £750,000.

As known the net interim dividend per 25p share is lifted from 1.87p to 1.83p, and there is an additional 0.02p on account of 1977. The directors are forecasting a 12 per cent increase in the gross total for the year. Last year's net final was £900m from profits of £13.32m. The interim dividend, together with the supplementary payment, costs £1.31m (£1.18m).

Reporting the first half performance the directors say that in the UK cement sales tonnage were usefully higher; this trend has continued into the second half.

Continued progress is being made with the Rochester extension and the Southam conversion.

Although Rom River showed some improvement over the first half of last year, conditions continue to be difficult in the reinforcement industry.

In Western Australia both Cockburn Cement and the Parnell Hotel produced improved results, but the benefit to the group was reduced by the decline in the Australian dollar since June 30, 1977. Good progress is being made with Cockburn's new lime plant, to complete the financing arrangements, Cockburn is raising A\$14m for the issue of debentures at various rates and maturities.

	1977	1978	1977	1978
Turnover	41,900	47,300	41,900	47,300
UK	36,250	41,412	36,250	41,412
Overseas	5,650	5,888	5,650	5,888
Trading profit	5,800	6,200	5,800	6,200
UK	4,000	4,200	4,000	4,200
Overseas	1,800	2,000	1,800	2,000
UK and overseas	5,800	6,200	5,800	6,200
Profit before tax	6,200	6,500	6,200	6,500
UK	5,200	5,500	5,200	5,500
Overseas	1,000	1,000	1,000	1,000
Profit after tax	4,600	4,800	4,600	4,800
UK	3,800	4,000	3,800	4,000
Overseas	800	800	800	800
Profit after tax	4,600	4,800	4,600	4,800
UK	3,800	4,000	3,800	4,000
Overseas	800	800	800	800

See Lex

Reasonable start for Dowding & Mills

THE FIRST two months of the current year at Dowding & Mills have started reasonably well, Mr. K. H. Sharp, the chairman, tells members, and the directors are hopeful that this trend will continue for the remaining four months of the half year.

As reported on September 22, in line with their forecast of a record year, the directors announced pre-tax profits of £17.4m (£14.5m) for the year ended June 30, 1978 on turnover ahead to £11.7m (£9.5m). The dividend is stepped up to 1.2p (£1.05p) per share.

The company has continued its policy in new buildings, plant and machinery which, as when industrial activity improves, the chairman says will enable Dowding & Mills to increase its production still further. Some £919,730 was spent during the year—half on new buildings and half on new plant, machinery and vehicles.

Of the new projects in hand, work on the new factory at Falkirk is well under way and, when completed early next year, will place the company in a good position to increase its share of the market in Scotland, Mr. Sharp says.

The Sheffield extension is now finished and is in operation and is well placed to draw in more work from the industrial area of the north.

The extension in the Birmingham factory is nearing completion and should be in production by the end of the year. As well as these projects Dowding & Mills has opened a small new branch at Ipswich to serve the expanding industrial area of East Anglia. This is a Green field project and it has already built up a substantial list of customers, the chairman adds.

Auditors say that the valuation of work in progress excludes appropriate overheads and are thus not in accordance with SSAP 9. They add, however, that this exclusion does not significantly affect the accounts.

A CCA statement, based on the Hyde guidelines shows pre-tax profit reduced to £13.5m (£11m), after depreciation and during the course of the day's trading.

Improving trend for Lister

After its turnover from a £6.4m loss to a £1.4m profit in the March 31, 1978, year, Mr. I. E. Norbert, chairman of Lister and Co. says the current trading position is showing an improvement which if sustained, gives directors reason to look to the future with confidence.

Mr. Norbert is fully conscious of the need to conserve cash flow particularly as the group is still investing in new machinery when over directors are satisfied the return will be adequate.

Of the new projects in hand, work on the new factory at Falkirk is well under way and, when completed early next year, will place the company in a good position to increase its share of the market in Scotland, Mr. Sharp says.

The extension in the Birmingham factory is nearing completion and should be in production by the end of the year. As well as these projects Dowding & Mills has opened a small new branch at Ipswich to serve the expanding industrial area of East Anglia. This is a Green field project and it has already built up a substantial list of customers, the chairman adds.

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BIDS AND DEALS

Mr. Field refuses to leave Dawson Board

Mr. Stanley Field, chairman of William Baird, has rejected a request for his resignation from the Board of Dawson International.

The request comes from Dawson's chairman, Mr. Alan Smith, who takes the view that there are potential conflicts of interest inherent in Mr. Field's continued presence on the Dawson Board.

Leading counsel has advised that Mr. Field's only proper course of action is to resign. Mr. Smith says, "Accordingly I have written to Mr. Field requesting his resignation forthwith."

Mr. Field said last night that he has given "careful consideration" to his position as a director of Dawson and, with the support of his advisers, he considers it would be entirely inappropriate for him to resign.

The resignation request is disclosed in a letter sent by Mr. Smith to Dawson shareholders outlining reasons for rejection of Baird's bid.

"Not only is there no commercial benefit to Dawson, we believe that a Baird takeover would be positively harmful to both home and export sales, this is supported by reactions we have received from customers," Mr. Smith says. "Also employees have expressed concern at the possibility of Dawson losing its independence and the bid, if successful, could irrevocably upset the necessary close relationship we have developed over many years with our specialist raw material suppliers."

He forecasts a dividend of 14p a share (last year 7.5p), a 50p issue of one new "A" class non-voting ordinary share for each ordinary share and each "A" share held, and indicated that the company is in the process of preparing a forecast of profits for the year ending March 31, 1979.

Mr. Field said the bid, if successful, would be a major step in the company's development and that he was pleased to see the offer document for Bambergers so we will have to wait and see.

"But we like our investment in International," he added. "Meyer Group, a company which has been anxious to build up to prevent any dilution by International's bid for Bambergers."

The group had looked at a number of manufacturing but decided against that method of entry.

Now it intends to concentrate on building up profitability at Ups n Downs and also to improve American Thread—its only significant U.S. subsidiary.

American Thread itself also needed a better return on capital, the spokesman said. The new acquisition would justify a full-time senior executive in the U.S. who would divide his time between the two companies.

The bid for Ups n Downs, which has the recommendation of the Board will probably take until early next year to complete. The key element in its success is

Textile group U.U. Textiles is attempting to solve its financial problems through a merger with the textile group U.U. Textiles. The deal, announced yesterday, involves a complicated financial reorganisation programme which will be completed by Mr. R. A. Ratner, chairman of U.U. Textiles and his family 50.3 per cent of U.U. Textiles equity.

U.U. announced losses of £122,271 for a 41 week period to June 30, 1978, compared with pre-tax profits of £62,815 for the 12 months ended April 30, 1977. The group's continuing losses had been recently changed to June.

As a result of the losses U.U. showed a deficiency of net assets of £108,022. But after the implementation of the financial reorganisation and the merger with Salbstein, pro forma net tangible assets will amount to £1m equivalent to 43.7p ordinary 25p share.

To achieve this the following arrangements are planned:

● £12.5 issued capital is to be reduced from £374,266 to £145,566.

● The outstanding £402,230 of loan stock in a U.U. subsidiary, Sidra, is to be cancelled on payment of £208,000 in cash, and the issue of 399,784 shares of 25p each in U.U.

● The acquisition of the textile wholesaling company Salbstein through the issue of 1,355,930 U.U. shares which represents the consideration.

● U.U.'s principal bankers are to assign the group's indebtedness of over £1m to Salbstein, less £350,000 at the time the reorganisation becomes effective. This will effectively reduce U.U.'s debt by £750,000.

● A term loan of £22,327 from the Department of Industry is to be waived.

grossly understated," he says. "A revaluation of land, buildings and machinery is presently in hand and will show a very substantial appreciation on book values."

He points out that Dawson had £15m in cash at March 31, 1978 and states that "Baird wants to buy Dawson's cash, the point out that to finance the cash element of the offer Baird's total borrowing would exceed £250m, against net tangible assets at December 31, 1977 of £28.5m and asks Baird to explain how it will repay "such high borrowings."

Mr. Field said last night that he has given "careful consideration" to his position as a director of Dawson and, with the support of his advisers, he considers it would be entirely inappropriate for him to resign.

The resignation request is disclosed in a letter sent by Mr. Smith to Dawson shareholders outlining reasons for rejection of Baird's bid.

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Way cleared for Burmah's Australian sale

The way has been cleared for the Burmah Oil group to complete its A\$50m disposal of its major stake in the Cooper Basin natural gas and liquids fields in South Australia. On August 31 it was reported that Burmah Oil Australia had agreed to sell a wholly owned subsidiary, Burmah Australia Exploration Pty. (BAE), to a group of companies headed by Bond Corporation Holdings.

BAE's assets are shares in three of the Cooper Basin partners—Santos 37.5 per cent, Basin Oil 30.8 per cent and Reef Oil 66.9 per cent. Santos has a 15 per cent interest in the Cooper Basin and is the operator.

The proposal hit a snag when Santos took an action in the New South Wales Equity Court seeking to block the purchase. Santos claimed that under agreements dating back several years Burmah had first to discontinue its (BAE) action against Burmah which should enable completion of the deal.

It had also been agreed that three executives of Bond Corporation would be invited to the ten man Santos Board to replace the existing Burmah nominees.

Bond Corporation stood ready to complete the deal, but in the continuing operations of Santos as an independent entity. A number of aspects which previously concerned Santos had now been clarified.

Malaysia's un-producing Ayer Hitam sees a brighter outlook for the current year to next June, provided that the prices maintain their high levels.

The chairman, Tan Sri Indra Putra, points out that all three dredges are now working in virgin ground with a resultant increase in production. Output of tin concentrates for the past three months amounts to 433 tonnes against 362 tonnes in the same period of last year.

In the year to last June export duty and tax took 78.95 per cent of Ayer Hitam's group profits and the chairman calls for some relief for the industry from this "unreasonable burden."

He also comments on the diminishing supply of land with payable tin reserves in Malaysia and the fact that the company is still waiting for the authorities to approve the renewal of two important mining leases which expired in June this year.

In London yesterday the price of tin soared £435 to a record £7,640 per tonne following news that the U.S. Congress had adjourned without passing the General Services Administration stockpile release Bill. It thus appears that the proposed release

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TRIDANT GROUP

The 101,940 shares in Trident Group, Printers, purchased by Baring Brothers on Thursday as advisors to Argus Press, one of the two bidders for Trident, came from the holdings of Chit Investment, a company of which the interests of Trident's founders, in addition to Argus Press, had a further 20,000 shares on Friday at 10p. The Chit sale was at 92p.

JAMAICA SUGAR TO WIND-UP

In his circular giving details of the sale of its sugar assets to National Sugar Company, Mr. H. C. Hart, the chairman of Jamaica Sugar Estates, says that although the proposals the directors recommend are in certain respects not particularly favourable, they are the best they have been able to negotiate.

The chairman says that based on the unaudited balance-sheet at September 30, 1977, after implementation of the proposals but at a rate of exchange of Jamaican dollar \$25, the value of shareholders' equity is now £1,223,873.

The sale of interests will leave the company with no business of its own and the investment in subsidiaries and the directors propose an orderly realisation of the subsidiaries or their assets to enable the company in due course to be wound up.

How long this will take is difficult to forecast, says the chairman, who points out that to give an estimate of the likely proceeds of such realisations is impossible at the present time. The interests will almost certainly be less than book value and any real benefits from these should be discounted.

For the year ended September 30, 1977, the company incurred an increased loss of £161,808 compared with £208,369 last year, subject to a tax charge of £9,776 against a £4,722 credit.

WARREN TEA

Warren Plantation Holdings says the issue of \$45,000 shares in Warren Tea Ltd. (the New Rupee Company) was 28 times over-subscribed.

There were 132,000 applications and allotments have been finished on the basis of supporting small shareholders in accordance with the policy of the Government of India.

Associates Deals

On October 13, Vickers da Costa (brokers to John Haggas) bought 2,000 Dawson International ordinary shares at 30p on behalf of a discretionary client.

A further 430,000 J. Compton Sons and Webb (Holdings) shares were bought on behalf of Vantana at 72p, and L. Messel and Co. sold 430,000 Compton at 72p for Allied Textile Companies, an associate of Compton.

NO PROBE

The proposed merger between Norsk Hydro A.S. and Vinatex is not to be referred to the Monopolies Commission.

MINING NEWS

Costs rise in the wake of the gold price

BY KENNETH MARSTON, MINING EDITOR

THE continued advance in working costs of South Africa's gold producers is underlined in the September quarterly reports issued by the Rand Mines group. After allowing for the previous quarter's income "bonus" arising from the changed method of payment on delivery for gold, all the mines have received higher revenue for their bullion production in the past quarter.

Increased working costs, however, have left East Rand Properties with an increased working loss for the quarter. Thanks to State aid, the mine comes out with a net profit, albeit one sharply reduced from that of the previous three months.

The other marginal producer, Durban Deep, has done well as a result of increased production coupled with a higher average gold price received. In this case there is a deduction for State aid over-provided which still leaves the mine with an increased net profit.

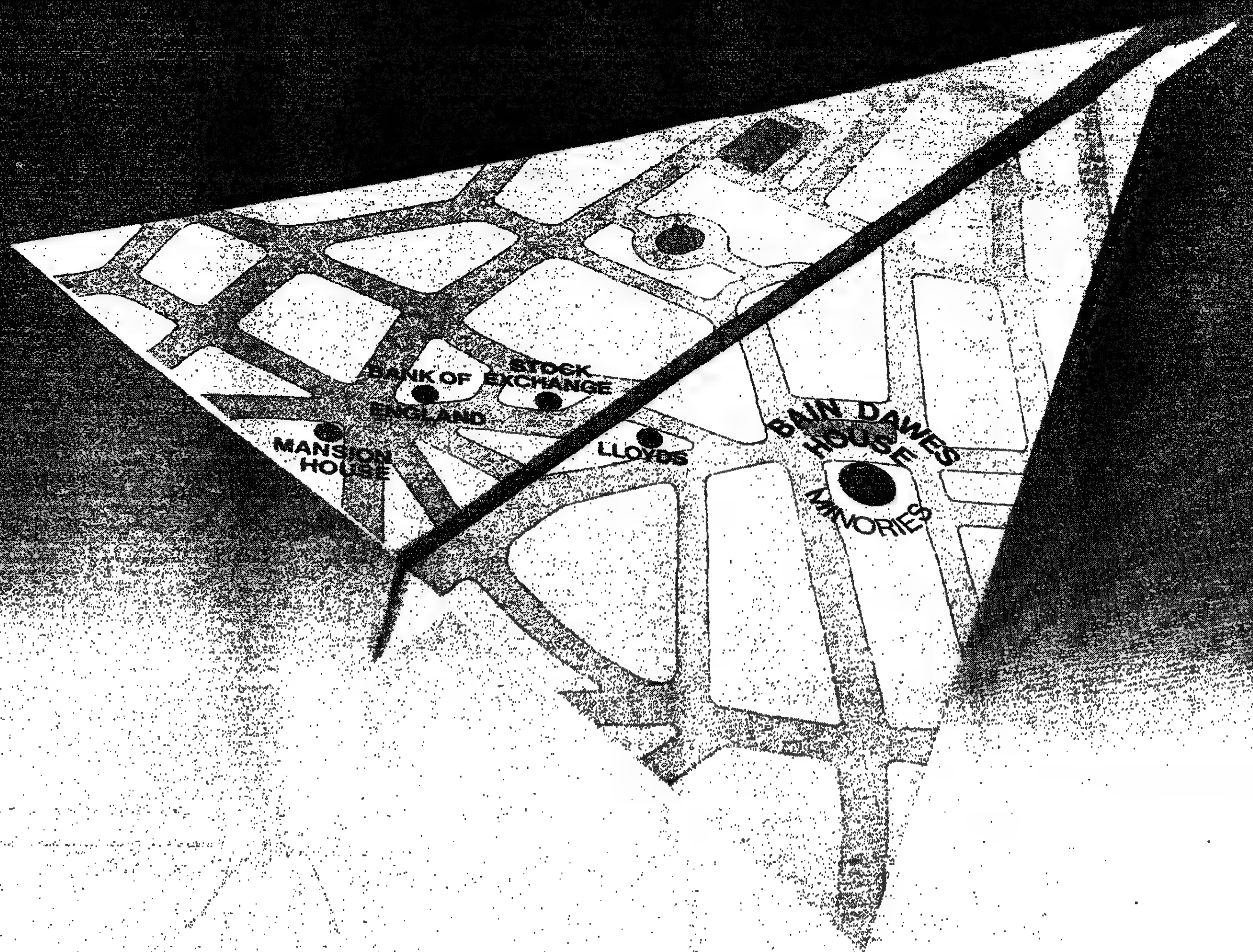
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INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

United Tech. in earnings upswing

By Our Own Correspondent

NEW YORK, Oct. 16. UNITED TECHNOLOGIES, the diversified aerospace and industrial products group currently in the process of a \$1bn takeover bid for Carrier Corporation, today announced a 24 per cent increase in third quarter income.

Earnings for the period increased from \$50.6m, or \$1.09 a share, to \$62.6m, or \$1.20 a share.

Sales over the same period rose 15 per cent to \$1.5bn. For the first nine months of the year, net income is \$1m, or \$3.56 a share, up from \$146.4m, or \$3.18 a share, a rise of 18 per cent.

Sales for the nine months rose 11 per cent to \$4.6bn.

The company says that although the third quarter figures include the results of Amvac Industries, which was merged into the parent in July, Amvac did not have a significant impact on the third quarter or nine months results.

The company's business order backlog increased by 35 per cent, it said, to \$7.3bn, compared with \$5.4bn at the same stage last year.

Burlington Northern recovery

By Our Financial Staff

A RECOVERY at Burlington Northern, the transportation and natural resources company, has produced third quarter profits per share of \$1.81 against a loss of \$0.28 in the same period last year. A net profit of \$25.9m was returned for the quarter against a loss of \$1.79 a year ago, with sales up to \$608.1m against \$721.8m.

Over the nine month period profits per share have risen to \$7.07 against \$4.28, with net profits up to \$84.45m from \$36.54m. Sales have increased only marginally to \$1.69bn against \$1.68bn.

Burlington's improved performance follows the agreement, earlier this year, to acquire Hart Motor Express of St. Paul, and to merge it into its own trucking subsidiary, BNT Transport. The company also runs a transcontinental railway and a freight forwarding service.

American Airlines well ahead after nine months

BY JOHN WYLES

NEW YORK, Oct. 16

THE extraordinary profits surge enjoyed by the U.S. airline industry this year has continued during the third quarter, with the evidence of a 71 per cent increase in net income announced by American Airlines today.

As the first airline to report on the quarter, American's success is unlikely to have been typical. With most of the industry reporting revenue passenger miles more than 20 per cent higher than in 1977, airlines like Delta and Continental which have more modern and more efficient fleets may have fared even better.

American's load factor—the

proportion of total seats filled—was around 6 per cent higher during the quarter than in the same period last year, and the impact on profits has been dramatic. While revenues from the quarter rose 18 per cent from \$684.9m to \$772.4m, net income leapt 71 per cent to \$90.1m (or \$3.04 per share) from \$52.7m (or \$1.74 per share). As a result, nine months earnings have risen from \$282.5m to \$247.4m, a share of \$1.27 from \$0.62. Revenues rose 17 per cent from \$1.76bn to \$2.07bn.

American's results confirm that 1978 profits for the 10 trunk airlines plus Pan American

world Airways will substantially exceed last year's record \$630m. Many analysts would not be surprised to see aggregate net income of more than \$1bn, which is one reason why airline stocks have outperformed the stock market for much of the year. Profits of the quality reported by American will put the industry in a much stronger position than anticipated to modernise its fleets and thereby increase its efficiency. U.S. Airlines are expected to spend \$2.2bn by 1984 on fleet expansion and re-equipment, and the total is expected to exceed \$60bn by 1990.

Sharp advance by Signal group

NEW YORK, Oct. 16

SHARPLY HIGHER third quarter results are reported by the Signal Companies, the diversified maker of trucks and aerospace products. Net earnings for the quarter rose from \$26.7m to \$41.4m on sales of \$868m, compared with \$24.5m in the corresponding period.

Earnings for the nine-month period exceeded those for the entire 1977 fiscal year. The present nine-month period had earnings of \$117.4m compared with \$72.7m for the same 1977 period. Total earnings for 1977 stood at \$101.5m.

Sales for the third quarter were \$868m compared with \$724.5m for the corresponding quarter, whereas per share earnings stood at \$2.15 compared with \$1.35.

The nine-month period saw a per share earning of \$6.10 compared with \$3.86 in the same

period in 1977. Sales increased to \$2.66bn from \$2.2bn for the nine-month period.

The company said the markets in which it is involved showed no signs of weakening. The largest contributor to the nine-month returns was the Mack Trucks division, which earned profits of \$15.9m in the quarter compared with \$10.2m in the 1977 third quarter.

Agencies.

CPC International increase

BY OUR FINANCIAL STAFF

CPC INTERNATIONAL, the food and industrial products group, announced net third quarter earnings of \$1.61 a share against \$1.39 in the previous year. Net income rose to \$35.13m against \$32.91m, while sales went up to \$825.5m compared with \$731.9m in 1977.

Over the nine-month period, net earnings per share have risen to \$4.13 against \$3.87, while income rose to \$85.21m against \$81.89m on sales of \$2.36bn against \$2.13bn.

The company, which has substantial interests in Europe, said that currency exchange gains totalled \$3.1m during the last nine months against improvements of \$2.2m for the same period a year ago.

Commenting on the results,

Mr. James W. McKee, president and chief executive officer, said current indications were that the full year's results would show improvements over 1977 in line with the trends indicated by the outcome of the first nine months.

CPC achieved a net income last year of \$132.9m on sales of \$2.87m. The company is best known for its Best Foods subsidiary in the U.S., although its non-food activities account for about 30 per cent of its business. Among its main products are Knorr soups and Mazola corn oil.

The group has manufacturing and distribution facilities in many European countries, including the UK, Germany, France, Italy, Austria, Denmark, Sweden and Switzerland.

Its European sales last year

amounted to \$1.3bn, with net income rising by 40 per cent to \$22.8m.

Studebaker-Worthington

Studebaker-Worthington, the transportation and electronics manufacturer, made net profit for the third quarter of \$2.44 a share compared with \$1.72. Agencies report from New York. Total net was \$17m against net profit from continuing operations of \$13.5m. In last year's third quarter, a \$1.9m gain from discontinued operations made the final net profit figure \$15.1m or \$1.57 a share. Sales increased to \$343.9m from \$277.6m.

Cleveland Cliffs to buy drilling contractor

By David Lascelles

NEW YORK, Oct. 16

CLEVELAND CLIFFS Iron Company, one of the country's largest iron ore producers, has embarked on a major diversification programme into the field of oil and gas drilling.

In a deal worth about \$60m, the company is to buy up Tiger Oil, a large privately-owned oil and gas contract drilling company based in Houston. The deal involves the purchase of 4.55m Tiger shares from Mr. Edward Davis, owner of 95 per cent of the company, for \$57m, or \$12.23 a share. The remaining 250,000 shares would be bought from minority shareholders at the same price.

Mr. Samuel S. Hitt, president of Cleveland Cliffs, said the proposed acquisition "represents a major step in our diversification efforts. We are continuing to investigate other areas, particularly in the energy fields as an extension and potential diversification of the company."

Cleveland Cliffs, based in Ohio, manages 12 per cent of North American iron ore production, and is also involved in Australian ore. The company's other interests include Great Lakes cargo transport, forestry product and mineral exploration.

Tiger Oil is engaged in U.S. oil and gas exploration and owns a number of land and large drilling rigs.

Price-fixing fines

A U.S. judge has fined four corrugated-box manufacturers a total of more than \$1.2m after they pleaded no contest to charges of price-fixing conspiracy. AP-DJ reports from Houston. The companies involved were International Paper, Heiner Waldorf Corporation, Alton Box Board Company and Consolidated Packaging Corporation. The companies are among nine named in a felony indictment. An additional five companies were indicted on similar misdemeanor charges. Sealed indictments and sealed indictments are not to be contested to misdemeanor charges and have been fined the maximum of \$50,000.

Third quarter rise at Manufacturers Hanover

BY STEWART FLEMING

NEW YORK, Oct. 16

SPURRED ON by a marked increase in domestic business loans and widening interest margins, Manufacturers Hanover, the fourth largest U.S. commercial bank, today reported a 21.8 per cent increase in after-tax operating earnings for the third quarter.

The sharp rise is in line with interest rates reported by other major banks, although Manufacturers Hanover is placing considerably more emphasis on its U.S. business loan volume as a factor in the profit increase than most other New York banks have.

For the quarter, the bank's after-tax operating earnings increased to \$37.6m, or \$1.27 a share, from \$30.9m, or \$1.07 a share.

For the first nine months of the year, after-tax operating earnings are \$116.2m, or \$4.19 a

share, a rise of 15.8 per cent over the \$97.7m earned in the same period of 1977.

The bank says that the net interest income it earned in 1978 proved because the rate earned on domestic loans and securities increased more than the average cost of all funds, largely because of the high percentage of interest-bearing deposits in the bank's subsidiaries.

This, combined with the continued pick-up in overseas loan volume and the marked increase in domestic business loan volume, helped to raise third quarter net income to \$37.6m, or \$1.27 a share, from \$30.9m, or \$1.07 a share.

The bank reported an increase share of \$4.19 compared with \$3.71 in the third quarter provision for loan losses from \$12.5m to \$13.2m, a possible loss for the first nine months of the year, loan provisions are down from \$17.15bn and \$27.3bn to \$55.4m, a move in line with the general trend in the banking industry over the two years.

Meanwhile, Continental Illinois Corporation, announced operating results of operating profits of \$1.18 against \$1.02 a share. Total operating profits of \$1.18, or \$1.18 a share, compared with \$1.02 a share, or \$1.02 a share, in the third quarter.

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Pemex decides to build port

BY WILLIAM CHISLET

MEXICO CITY, Oct. 16

PETROLEOS MEXICANOS (Pemex), the State-owned oil monopoly, is expanding so rapidly that it has decided to build a new port in order to cope with its increased export orders.

Up until now, all shipments of Pemex's crude oil exports—running at around 500,000 barrels a day this year compared to an average of 300,000 b/d last year—have left from the port of Tuxtepec. But the port is finding it increasingly difficult to

manoeuvre the rising volume of exports expected to reach one million b/d by 1980. As a result, Pemex has decided to build a new port at Dos Bocas, 110 kilometres south of the coast from Tuxtepec in the state of Tabasco, where most of Mexico's current 1.4m b/d are produced.

The Tuxtepec port was enlarged not long ago but is still too narrow, only allowing entry to small and medium ships up to 60,000 tonnes. Last month there

were technical difficulties loading in 300,000 barrels of crude for Spain because of a size and depth of the port.

According to Pemex, it will be unable to deal with increased trade before 1980. The port of Dos Bocas, chosen from three other sites, is the most suitable because it is conveniently near the shore of fields and also has discovered and will be discovered in the near future.

NY insurance plan may be speeded

BY OUR OWN CORRESPONDENT

NEW YORK, Oct. 16

ATTEMPTS ARE being made to bring forward the opening of New York's insurance exchange by several months to January 1, next year. The exchange, which is seen as New York's answer to Lloyd's of London, was originally expected to start up early next summer.

The prime mover is New York's insurance Superintendent, Mr. Albert B. Lewis, who stated in an interview with the Wall Street Journal today that the drafting of by-laws has gone so well that he plans to ask the state legislature to bypass the normal 45-day waiting period

and give the immediate go-ahead in statutes which will be introduced when the laws are presented on January 1.

The state legislature does not have to approve the by-laws, but it would normally have 45 days to raise objections to them.

The by-laws are being drawn up by a 13-strong committee chaired by Mr. Lewis and consisting of representatives of the insurance industry and specialists. According to Mr. Lewis, \$5m of the drafting committee have already been pledged to be less than \$1m, which is a small sum for the state legislature to pass the normal 45-day waiting period

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SOCAL-AMAX BID

Wall Street waiting for the next move

BY DAVID LASCELLES, RECENTLY IN SAN FRANCISCO

WALL STREET has seldom been kept on such tenterhooks as it has by Standard Oil of California (SOCAL). It is now more than six weeks since the country's fourth largest oil company made a dramatic \$1.9bn takeover offer for Ammax, a major minerals and mining concern, only to be turned down flat. Since then, everyone has been waiting with bated breath for what happens next. But in vain.

At the company's headquarters in San Francisco's bustling Market Street district, Mr. Howard Bell, financial vice-president, receives a constant stream of telephone calls from Wall Street dealers keen for a hint or scrap of information. But he tells them all the same thing—no news. SOCAL is examining its options and will make an announcement when the time is ripe.

SOCAL's bid, which would have been the second largest in U.S. history, was aimed at increasing the company's existing 20 per cent stake in Ammax to 100 per cent. SOCAL bought this stake in 1973 "for investment purposes only." But Ammax's board turned the offer down within a matter of hours, mainly on the grounds that it would create anti-trust problems.

SOCAL retorted that there were no anti-trust restraints. But instead of pursuing its offer by sweetening it to the shareholders, SOCAL simply expressed regret that agreement could not be reached, and withdrew from the scene.

Since then, there have been plenty of rumours of pending developments, based on the

assumption that neither SOCAL nor Ammax wants the matter to rest there, though it is still not clear whether SOCAL badly misjudged its move or is playing a clever waiting game. According to one company source, the episode "has made our directors very unhappy," which suggests that the first view may be the correct one.

But another reason for anticipating action is SOCAL's declared intention to build up its non-oil operations as part of a long-term diversification programme. Though the company has large and expanding oil interests (for instance, it is active in the North Sea under its trade name Chevron) it shares the oil industry's common desire to plan, now for the day when the oil runs out.

As Mr. Bell explains it, SOCAL expects oil production to peak in the 1990s, so it has launched a plan to increase its non-oil operations from the present-day 5 per cent to 30-40 per cent by the year 2000. This projection assumes that there will be no new oil discoveries, but that SOCAL will maintain its share of whatever is discovered.

Mr. Bell said that SOCAL was investigating different energy sources, though the company has become as big as oil and for that reason held out no prospect of replacing it. Ten years ago SOCAL set up a "minerals staff" which is developing uranium and geothermal energy. It is currently negotiating with a group of Southern California utilities to exploit some hot springs in

Imperial Valley). SOCAL also has interests in solar energy and shale, but concluded that with the extent of deposits fairly well-known and ownership established, the openings were limited.

Looking further afield, Mr. Bell said: "We concluded that our technology and skills lay in the area of natural resources, broadly defined to include mining, forest products and agriculture." This conclusion lay behind SOCAL's decision to buy its stake in Ammax. "We felt we could bring something to that company," Mr. Bell said, "and this was confirmed by what we saw."

SOCAL's decision to go for outright ownership of Ammax was also a large extent by tactical options. Mr. Bell said SOCAL could have gone for diversification internally, by developing new divisions along the lines of Exxon, the largest oil company, which has entered into large electronics on its own. But SOCAL's big interest in this area, chemicals, has not been a happy one ("lots of ups and downs") and the company was not keen to give it another try.

A second option, putting seed capital into new ventures, was also considered risky. This left the option of outright purchases, with the advantage of speedy and certain diversification, though as Mr. Bell pointed out, there are not that many right businesses big enough to satisfy the appetite of a \$20bn-a-year giant like SOCAL. "The com-

pany we bought would probably have to be in the Fortune 500," he said.

The choice is narrowed further by the fact that while SOCAL is prepared to take on loss-making concerns, it would want to be able to transform it into a profitable one in two to four years. All these considerations, plus the fact that the other oil majors are on the prowl for natural resource companies, point to a tight market and add to the impression that SOCAL will have another go at Ammax.

Finance for the initial Ammax offer, had it been successful, would have been obtained in one of two ways, Mr. Bell explained. With its healthy cash flow, SOCAL might have been able to raise the acquisition out of the till. Otherwise, it would have borrowed short term to tide it over the troughs in revenues that characterise a business like SOCAL, where dues to the oil producing countries are paid in hefty monthly instalments.

Whatever the uncertainties over Ammax, though, Mr. Bell described his company's mood as bullish. It has recently chalked up exploration success in the Middle East, Indonesia, Europe, and several areas of the U.S. Although agreeing that current production capacity is excessive, Mr. Bell says this is a short-term problem only, and while the price of oil may not rise faster than inflation in the next five years, it should register some increases—possibly an average 3 per cent a year—after that.

terday in this trading, mostly the result of the very heavy amount of paper currently on offer. The revaluation of the Deutschmark had no perceptible effect. Dealers said that most continued to flow into DM bonds from abroad.

The second franc-denominated international bond since this sector of the market reopened last month is expected to be launched shortly, probably by the Banque de l'Union Européenne as lead manager. The name of the borrower is not yet known.

The French Treasury decided who the borrower shall be, which bank will manage the issue, and the date of the launching. When the market reopened in September, the Treasury told French banks that the calendar of new issues would allow for one issue a month with international organisations and industrial names alternating. The French franc sector has been very stable for the past ten days with the only issue floated since the reopening, the EIB bond, being quoted at a steady 98½.

EUROBONDS

Lighter calendar for DM issues

BY FRANCIS GHILES

THE CALENDAR of new issues of Deutschmark denominated international bonds will be lower in the month from tomorrow than during the 30 days which have just ended. At its meeting last Friday in Frankfurt, the Capital Markets sub-committee decided on a calendar of DM 475m to which has to be added a maximum of DM 770m of issues for international borrowers which are not technically included in the calendar.

From the first figure of DM 475m has to be subtracted the DM 100m which Commerzbank is expected to arrange for New Zealand on November 2. This issue was included in last month's calendar and was put off by the lead manager at the last minute. Of the remaining DM 375m, a DM 75m for the City of Copenhagen is expected from Deutsche Bank today. This will be followed by a New Zealand issue, then by a private placement through Westdeutsche Landesbank (November 7), a DM 150m for Finland through Dresdner Bank (November 8), a DM 50m

for an unknown industrial address through Westdeutsche Landesbank (November 9), and the month will be wound up by a DM 150m for a South African borrower through BHF Bank (November 10).

Of the DM 770m for international organisations (two will be arranged by Deutsche Bank, DM 150m for ECSC (November 23) and a provincial DM 500m for the World Bank in early November. On October 27, BHF Bank is expected to announce DM 120m for the Council of Europe. It appears that no firm date has been set for the World Bank issue and that whether it comes at all will depend on the state of the market.

The sub-committee did not know of the coming revaluation of the Deutschmark when it met last week and the decision to allow for a tightening of the new issue calendar was taken because of the weight of new paper in the market which it was feared could eventually unsettle prices seriously.

Prices in the secondary sector were off by about 1 per cent yesterday in this trading, mostly the result of the very heavy amount of paper currently on offer. The revaluation of the Deutschmark had no perceptible effect. Dealers said that most continued to flow into DM bonds from abroad.

SWISS STRAIGHTS

After a quiet day, the Swiss market opened with a steady 98½. The Swiss franc sector has been very stable for the past ten days with the only issue floated since the reopening, the EIB bond, being quoted at a steady 98½.

The French Treasury decided who the borrower shall be, which bank will manage the issue, and the date of the launching. When the market reopened in September, the Treasury told French banks that the calendar of new issues would allow for one issue a month with international organisations and industrial names alternating. The French franc sector has been very stable for the past ten days with the only issue floated since the reopening, the EIB bond, being quoted at a steady 98½.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

U.S. DOLLAR STRAIGHTS		Change in				YEN STRAIGHTS		Change in			
Issued	Bid	Offer	Day	Week	Yield	Issued	Bid	Offer	Day	Week	Yield
Astoria 8 1/2	25	97 1/2	97 1/2	-0	4.44	Asahi 8 1/2	10	97 1/2	97 1/2	-0	4.44
Australia 8 1/2	100	97 1/2	97 1/2	-0	4.44	Central 8 1/2	10	97 1/2	97 1/2	-0	4.44
Canada 8 1/2	100	97 1/2	97 1/2	-0	4.44	DFCE 8 1/2	80	97 1/2	97 1/2	-0	4.44
France 8 1/2	100	97 1/2	97 1/2	-0	4.44	Enfiance 8 1/2	10	97 1/2	97 1/2	-0	4.44
Germany 8 1/2	100	97 1/2	97 1/2	-0	4.44	Finland 8 1/2	10	97 1/2	97 1/2	-0	4.44
Italy 8 1/2	100	97 1/2	97 1/2	-0	4.44	France 8 1/2	10	97 1/2	97 1/2	-0	4.44
Japan 8 1/2	100	97 1/2	97 1/2	-0	4.44	Osaka 8 1/2	10	97 1/2	97 1/2	-0	4.44
Netherlands 8 1/2	100	97 1/2	97 1/2	-0	4.44	Svenska 8 1/2	10	97 1/2	97 1/2	-0	4.44
Sweden 8 1/2	100	97 1/2	97 1/2	-0	4.44						
Switzerland 8 1/2	100	97 1/2	97 1/2	-0	4.44						
U.K. 8 1/2	100	97 1/2	97 1/2	-0	4.44						
U.S. 8 1/2	100	97 1/2	97 1/2	-0	4.44						
Other Eurobonds											
Belgium 8 1/2	100	97 1/2	97 1/2	-0	4.44	Asahi 8 1/2	10	97 1/2	97 1/2	-0	4.44
Denmark 8 1/2	100	97 1/2	97 1/2	-0	4.44	Central 8 1/2	10	97 1/2	97 1/2	-0	4.44
Finland 8 1/2	100	97 1/2	97 1/2	-0	4.44	DFCE 8 1/2	80	97 1/2	97 1/2	-0	4.44
France 8 1/2	100	97 1/2	97 1/2	-0	4.44	Enfiance 8 1/2	10	97 1/2	97 1/2	-0	4.44
Germany 8 1/2	100	97 1/2	97 1/2	-0	4.44	Finland 8 1/2	10	97 1/2	97 1/2	-0	4.44
Italy 8 1/2	100	97 1/2	97 1/2	-0	4.44	France 8 1/2	10	97 1/2	97 1/2	-0	4.44
Japan 8 1/2	100	97 1/2	97 1/2	-0	4.44	Osaka 8 1/2	10	97 1/2	97 1/2	-0	4.44
Netherlands 8 1/2	100	97 1/2	97 1/2	-0	4.44	Svenska 8 1/2	10	97 1/2	97 1/2	-0	4.44
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Switzerland 8 1/2	100	97 1/2	97 1/2	-0	4.44						
U.K. 8 1/2	100	97 1/2	97 1/2	-0	4.44						
U.S. 8 1/2	100	97 1/2	97 1/2	-0	4.44						
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Japan 8 1/2	100	97 1/2	97 1/2	-0	4.44	Osaka 8 1/2	10	97 1/2	97 1/2	-0	4.44
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in Luxembourg

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Wall St. falls 22 on interest rate worries

INVESTMENT DOLLAR

PREMIUM
\$2.60 to \$1—79½¢, (80½¢)
Effective 81.8890 27¢ (37½¢)

FRESH WORRIES over rising prices coupled with tax disappointment and a congressional action on the tax and energy bills sent Wall Street into its steepest fall in almost four years in moderate action yesterday.

The **Dow Jones Industrial Average**, after touching a low for the day of 874.38, closed a net 21.92 down at 874.11, its lowest one-day fall since November 1974. The **Standard & Poor's 500** Index retreated 1.13 to 857.80, while declines predominated over gains by 1,374 to 248 Trading volume picked up to 1.1 billion shares, with last Friday's low level of 213.2m.

The Federal Reserve late last Friday increased its Discount Rate from 8 per cent in a record 5½ per cent, raising the threat of new tightening of credit. One of the reasons for the Rate increase was that the 5½ per cent spread through the banking industry on Friday. Investors are worried that rising interest rates will cause companies to cut back and possibly lead to a recession.

Analysts said traders were further disappointed when the Discount Rate boost failed to spark any new life in the dollar, which lost more ground and the Deutsche Mark yesterday despite the realignment on the joint currency float in Europe.

The Federal Open Market Com-

Investors showed disappointment with the results. The IBSE did not provide more relief, especially in the area of capital gains. They also indicated disillusionment with the market's ability to recover as weakly than originally sought by President Jimmy Carter. The disappointment sent many investors fleeing from the stock market. Glamour and Blue Chip issues were especially hard-hit. IBM, which had been the most successful company in an electrocardiogram with a small computer, still fell 77 to \$279. Boeing, despite more 74 jet orders, lost 106 to \$83.

Dow Point rose 31 to \$182. Honeywell 2½ to \$86; despite increased third-quarter profits,

multitasking \$3 to \$89; Johnson and Johnson \$1 to \$80; and 3M \$1 to \$53. Warner-Lambert managed to close unchanged at \$26; after higher third-quarter earnings.

Ramada Inns, the leading active \$2 to \$12, while **Caesars World** edged up \$1 to \$41. The New York SE reduced margin requirements on both to 30 per cent.

Citicorp, the second most active issue, lost \$1 to \$277, and **CAL** shed \$2 to \$37, in active trading. **Chrysler** slipped \$1 to \$10, but **Lyons** added \$1 to \$11. The board has approved a merger scenario.

Corning Glass reacted \$2 to \$39, and **CPC International** \$1 to \$32, in spite of improved third-quarter

net profits. Finally, however.

added 1¢ at \$32; on better third-quarter results.

THE AMERICAN SE Market Value rose 1.1% to \$10.4 billion, or 1.7¢ on volume of 3.29m shares (3.11m).

Sunderling Broadcasting was a firm favorite, rising 1½¢ to \$24½. **Viacom International** has sweetened its bid for **Sunderling** to \$28 a share from \$25. **Walt Disney** rose 1½¢ to \$26½.

York exchange, lost 11

Canada

Stocks moved sharply lower over broad front in another active business.

Analysts attributed the decline in part to the Bank Rate increase, announced last Friday, and noted that the market was due for a correction after setting a record high last week.

The Toronto Composite Index, down 32.7 to 1290.0 recorded its largest decline since November 18, 1978. Metals and Minerals fell 1.4 to 141.1, Gols and Gas 4.1 to 1,862.3, Golds 1.56 to 1,064.8, Banks 5.73 to 302.26, Utilities 5.08 to 192.38 and Papers 2.46 to 133.06.

Canadian Aluminium fell 2 1/2 to \$305, Falcen Petroleum Cdn to \$24.9, Falconbridge Nickel Cdn 7 1/2 to \$2341, Cominco 1 1/2 to \$282 1/2 and Canadian Pacific 1 1/2 to \$22 1/2.

Tokyo

Market moved sharply forward in active dealings, led by issues with good earnings prospects.

The Nikkei Dow Jones Average rose 43.09 to a new record of 2,095.00.

London

The London market for Tokyo

war high of 3,071.00. The Tokyo

SE index advanced 1.77 to a 1978 peak of 436.11, while volume reached 400m shares. Benefiting from higher profits, while also prominently firming, stocks Agricultural Machinery, up Y15 at Y270, Komatsu Y32 stronger at Y27, and Isuzu Motor, Y31 higher at Y40. In Y1980, Y16 at Y148, Fuji Photo Film Y8 at Y543 and Nissan Diesel Y10 at Y430. In 1981, however, Chinn declined Y20 to Y410 and Victor of Japan Y10 to Y1130.

Germany

In a continuation of last Friday's upsurge, Bourse prices mainly moved higher, taking the Commerce Index to a new record to fresh eight-year peak of 2852.4.

Dealers said the revaluation of the Deutsche mark with the European just before the boat had sailed on trading, and no downward trend could be noted among export-intensive issues.

Earlier exceptions to the general uptrend, however, were seen in the shares of stores and cars. In the latter sector, Daimler Benz receded 4 to DM 351 and "olkswagen 1.60 to DM 244.20, but Mercedes rose DM 2.40 to DM 246.50.

Mercedes rose DM 2.40 to DM 246.50, while Bayer led Chemicals ahead with a DM 1 gain. Siemens rose DM 2.50 in Electricals.

Public Authority Bonds recorded losses ranging to 10 marks with the Bundesbank selling DM 0.6m nominal of paper, compared with last Friday's purchase of 1.2m.

Computerized data analysis was performed using the SPSS 11.5 for Windows (Chicago, IL) software package. The data were analyzed using the chi-square test for categorical variables and the Fisher's exact test for categorical variables with small cell counts. The Fisher's exact test was used for the analysis of the categorical variables with small cell counts. The Fisher's exact test was used for the analysis of the categorical variables with small cell counts. The Fisher's exact test was used for the analysis of the categorical variables with small cell counts.

Classes of D14 4.2mm. Mark Foreign
churns were little changed in light
reading.

Paris

Stocks closed mixed with gains
and a slight majority after
below-average volume, following
last week's lower tendency.

Brokers said a ruin in the Call
market, rate to fall from 7 per cent
and improved market sentiment,
is well as the fact that the French
ruble appeared to have been
undervalued by the effective
revaluation of the Deutsche mark
against the other snake currencies.

Food, constructions, Mechanic
Foods, Metals and the Oil were
generally higher at the close, but
Chemicals, Chemicals, Public
Utilities and Textiles were easier.

Significantly firmer were Chiers, Denain, Carrefour, Cie du Midi, Cofradel, Generale d'Entreprises, Pochain, Most Hennessy, Cluses, Exco and Europe L.

Declining issues included Priel, Kali, Paris-France, Jeumont-Schneider, Nobel-Botz, Lyonnaise des Eaux, Sommer-Alilbert and Ametal.

Australia

Minings and Oils turned predominantly easier, while Industrials closed on a mixed note.

Diamond heavyweight CRA and most smaller diamond speculative issues lost ground as investors approached on a cautious approach to the late Ashton venture progress report.

Although the venture has

BHP, ex the dividend, weakened AS136.4, but Associated Concrete
and Cement Co. moved up to AS138
after Emporium's BNS lost to AS17.4.
In mixed Banks, CENTS Wales lost
cents to AS7.70.

Amsterdam

Shares improved across a broad
front, helped by the joint float
realization of Dutch interest
and passage of U.S. energy
legislation.

HVA advanced F1.5 while KLM,
KPN and Be. Kalls showed gains
of F1.2 or more.

Algemeene Bank moved ahead
and Nieuw Handelsbank F1.4.
ADOL, which is to merge with
the ship repair activities of RSV
initiated NSPM, rose to F1 125 bid

Hong Kong —
Finger-inclined in moderately active trading, with the Hang Seng index putting on 4.64 to 4,347.78.

Midline Matheson added 20 cents at HK\$18.00 ahead of the interim results due today. Hongkong Bank hardened 10 cents to HK\$28.00 and was weak 2.5 cents to HK\$33.50 while Hong Kong Land, Swire Pacific and Hutchison Whampoa were unchanged at HK\$31.90, HK\$10.00 and HK\$6.33 respectively.

Outside the leaders, Hong Kong Bank rose 3 cents to HK\$33.75,

Hong Kong Hotels 60 cents to

[illegible][illegible]

Industrial	—	219.15	221.4
Commercial	226.33	226.6	

Year	High		Low	
	High	Low	High	Low
1935-1936	81.74 15.79	142.12 20.00	106.11 24.78	41.22 (22.43)
39-50	9.00	24.78	11.77	
24-35	261.49 (16.29)	1.51 (2.00)	279.38 (72.69)	12.25 26.53
106.65	10.29 3.11	87.54 (22.2)	165.32 (24.78)	10.50 (22.43)
18.70.				
Yearly (Yearly approx)				
1935-39	5.43		5.49	
1972				
Oct. 9	High		Since Completion	
	High	Low	High	Low
1935-1936	118.11 (22.0)	20.50 (2.00)	134.64 (11.63)	5.28 (4.00, 32)
1945-46	106.26	39.35	125.85	10.70

Oct. 1	Sept. 30	Year ago (approx.)
79	4.86	4.75
78	9.43	9.38
64	8.08	7.76

Rises and Falls			
	Oct. 16	Oct. 13	Oct. 12
per fraction.....	1,508	1,882	1,885
per 100.....	209	246	278
per 1000.....	1,274	281	774
per 10000.....	326	498	431
per 100000.....	"	"	"
per 1000000.....	"	"	"

1976		
Oct. 11	Start	Low

9	222.14	222.14	(11,140)	162.50	(16,2)
1	225.51	225.51	(12,10)	170.52	(50,1)

NEW YORK

[illegible]

141.	141.	
12.	13	21

[illegible]

quality diamonds, CR
partner, fell 11 cen-

[illegible]

TORONTO Complete

[illegible]**EUROPEAN OPTIONS EXCHANGE**

Series	Vol.		Last		Vol.		Last		Vol.		Last	
	Vol.	Last	Vol.	Last	Vol.	Last	Vol.	Last	Vol.	Last	Vol.	Last
ABN	8 330	2	41	—	—	—	—	—	—	—	—	F 371
ABN	1 370	2	270	—	—	—	—	—	—	—	—	—
ABN	1 380	—	—	—	1	9	—	—	—	—	—	—
ANZ	F 27 50	5	4	—	—	—	—	—	—	—	—	F 31 60
ANZ	1 50	24	1 83	—	—	—	—	10	5 50	—	—	—
ANZ	F 34 30	40	0 40	15	2 80	—	—	28	5 50	—	—	—
ARR	F 53	—	—	—	—	—	—	4	2 50	—	—	—
ARR	F 68 90	6	2 20	—	—	—	—	—	—	—	—	F 77 40
ARR	F 78 90	—	—	—	4	4 10	—	—	—	—	—	—
BA	1 5	15	14 1	—	—	—	—	—	—	—	—	63 50
BN	80 5	—	—	—	2	6 2	—	—	—	—	—	—
BN	1 5	—	—	—	—	—	—	—	—	—	—	—
BN	8 25	—	—	—	4	3 1	—	—	—	—	—	4 28 10
BN	F 40	—	—	—	5	4	—	—	—	—	—	F 40 40
HO	F 45	—	—	—	—	—	—	13	3 20	—	—	285 5
HO	F 260	—	26	—	1	32	—	—	—	—	—	—
HO	F 260	5	7 4	—	2	17 2	—	—	—	—	—	23 1
IBN	5 900	—	—	2 3	2	8	—	—	—	—	—	—
KLM	F 62 90	—	—	—	—	—	—	—	—	—	—	F 165
KLM	F 150	6	15 50	—	—	—	—	—	—	—	—	—
KLM	F 152 40	11	11 50	—	—	—	—	—	—	—	—	—
KLM	F 150	7	5 50	—	—	—	—	—	—	—	—	—
KLM	F 161 90	10	2 3	—	—	14 50	—	—	—	—	—	—
KLM	F 170	—	—	—	—	—	—	10	10 50	—	—	15 10
KLM	F 171 40	42	0 60	—	—	2	9 50	—	—	—	—	—
KLM	F 181	—	—	—	—	4	6 50	—	—	—	—	—
KLM	F 190 50	—	—	—	—	3	3 80	—	—	—	—	—
NN	F 98 90	3	11 80	—	—	3	15 30	—	—	—	—	F 110 80
NN	F 108 90	6	5	—	—	—	—	—	—	—	—	—
NN	F 118 00	—	—	—	—	5	3 50	—	—	—	—	F 25 90
NN	F 122 50	1	4 30	—	—	—	—	—	—	—	—	—
PH	F 40	24	1 90	—	—	—	—	—	—	—	—	—
PH	F 27 50	—	—	—	102	1 50	—	—	—	—	—	2 370
PH	F 30	5	11 80	—	—	102	0 70	—	—	203	1 60	—
PD	F 120	—	—	—	—	—	—	—	—	—	—	—
PD	F 130	10	1 40	—	—	4	2	—	—	38	3 80	F 136 20
PD	F 140	—	—	—	—	—	—	—	—	—	—	—
T	860	—	—	—	—	—	—	2	4 3	563 3	—	—
BA	F 70	—	—	—	—	—	—	7	9 1	568 1	—	—
TOTAL VOLUME IN CONTRACTS												
994												

BASE LENDING RATES

[illegible][illegible][illegible]

metall	64.10,-
Werkzeug Metall.....	172.5-
.....	242,-

[illegible]

FARMING AND RAW MATERIALS

Tin soars as stockpile bid fails

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES soared on the London Metal Exchange yesterday as the US Congress failed to pass legislation authorising the release of 35,000 tons of tin from the strategic stockpile.

Standard grade cash tin rose by 435—the biggest ever single daily increase—to close at the record price of \$7,400 a tonne, after trading at over \$7,000 earlier in the day.

The upward trend was accelerated by an unexpectedly large decline in tin stocks held in LME warehouses. The stocks fell by 175 tonnes, reducing total holdings to 13,400 tonnes—the lowest level since at least the early 1960s.

But the main influence on the market was the news that any move to obtain the release of surplus tin from the strategic stockpile will now almost certainly have to wait until the new Congress reassembles next year, after the November elections.

Traders had gone home on Friday evening fully expecting that the last-minute manoeuvre in Congress by the administration would secure authorisation for the release of 35,000 tons of tin from the strategic stockpile.

The proposal for tin stockpile release had been separated from other plans for the sale of stockpiles of silver and copper, and 35,000 tons of copper and silver were sold on a Senate Sugar

pricing Bill as a "sweetener" to persuade the administration to accept a higher sugar support price for domestic growers.

In the event, the House of Representatives refused to stomach the proposed higher sugar price, and the tin stockpile legislation was rejected as a by-product.

On Friday, tin prices fell sharply on the prospect of 35,000 tonnes of stockpile tin easing the shortage of supplies. So when prices reacted quickly and violently, especially when the fall in warehouse stocks emphasised the present scarcity.

There was another heavy fall in copper stocks of 12,300 tonnes, cutting total holdings to a three-year low level of 407,700 tonnes. However, the stocks decline was in line with market forecasts and had a large extent already been anticipated.

The failure of the proposed U.S. stockpile buying of copper, and general disinterest among buyers, depressed the market and cash wirebars eventually closed 25.25 lower at \$748.25 a tonne.

Lead prices were boosted to near-record levels in early trading following a bigger than anticipated fall in warehouse stocks—down by 4,900 tonnes to 35,025 tonnes. But the downturn in copper reversed the upward trend and cash lead closed only 5.5 higher at \$422.5 a tonne after having reached \$434 earlier.

Zinc stocks fell by 2,550 to 70,775 tonnes and LME silver holdings declined by 110,900 to 167,000 ounces.

U.S. state department officials in Washington expressed disappointment at the failure of the copper producing and consuming nations to reach an agreement on the proposed international body to monitor the copper market, reports Reuters.

They said the nations at the Geneva talks decided to call another meeting of the United Preparatory Group, possibly in early 1979, and that the various governments were urged to come to the meeting to discuss ways to stabilise prices.

Peru is expected to make some proposals on stabilisation measures, but on specific details were not yet known.

Mbala Mbatia, Zaire's Minister of Mines and chairman of Cipece, the inter-governmental council of copper exporting countries, was due to meet U.S. State Department officials yesterday to discuss the copper market.

He said the land nationalisation resolution adopted by the Labour Party conference recently called for the takeover of estates, and land owned by the institutions.

This was not because they were doing anything wrong or farming badly, nor did these owners enjoy any special tax privileges.

"The truth is we all know is that they suffer from totally vindictive taxation without any relief whatsoever."

By the claim that if the State took over it would not involve itself in farming.

"It is not in the nature of Government to refrain from meddling and restricting and regulating," he said.

And he warned that farm owner-occupiers still seemed likely to be caught in the meshes of wealth tax and "they too will be forced to transfer land to the State."

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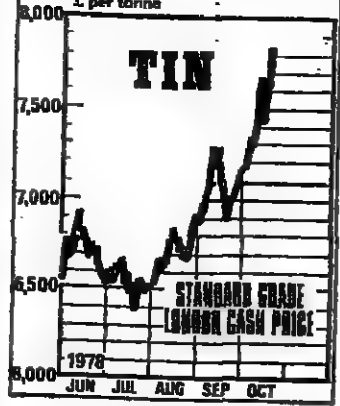
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France backs legal action on UK fish

By David White

PARIS, Oct. 16.

THE FRENCH Government has thrown its weight behind moves to take Britain to the European Court of Justice over its unilateral conservation fishing policy.

M. Louis de Guiringaud, French Foreign Minister, said today that France had written to the EEC Commission to this effect.

Speaking at a lunch of British and American journalists here, M. de Guiringaud denounced the fact that one EEC member was blocking the whole process of an accord on fishing rights, which had been agreed between the other eight.

Britain, he claimed, boycotted the Berlin meeting at which the remaining members formed a gentlemen's agreement to comply with the EEC Commission's fishing quota and conservation proposals for this year.

Denmark has already asked the Commission to take legal action against Britain over its restrictions on fishing in the Norway point box.

A Commission official recently said he expected Britain would be taken to court over its fishing policy.

NEW GROUNDNUTS EXPORT QUOTA

NEW DELHI, Oct. 16.

The Indian Government has allowed the additional export of 350,000 tonnes of groundnut extraction, an official said. The new quota is in addition to 550,000 tonnes already allowed.

Reuter

SUGAR MARKET

U.S. Bill defeat cuts prices

BY RICHARD MOONEY

WORLD SUGAR prices fell sharply yesterday as a result of the defeat of the proposed sugar Bill in the U.S. Congress on Friday night.

The House of Representatives had passed a Bill based on a 15 cent support price, but the Senate had rejected it, leaving the market in a state of confusion.

The Senate proposal conflicted with the declared position of the Carter Administration, which set an upper limit of 15 cents, and the House had passed a similar proposal.

The House wanted escalation to take account of any increase in basic labour costs, while the Senate wanted escalation to cover increases in total costs.

A Joint House/Senate committee eventually came up with a compromise Bill setting the price minimum at 15.75 cents.

This was accepted by the Senate but defeated in the House by a vote of 248 to 177.

The possibility of a new U.S. domestic sugar policy being agreed has now been ruled out for this year at least.

The outcome will also result in a long delay on ratification by the U.S. This was seen to have ceased.

of the International Sugar Agreement.

Sugar dealers on the world market responded by marking prices down. Yesterday morning, the London daily raw sugar price was fixed at \$110 a tonne, 22 1/2 cents lower than the previous day's level, and by the close the March position on the London futures market was quoted at \$115.075 a tonne, down 27.10.

London market sources thought the fall was based mainly on "sentiment," however. They said the U.S. decision in no way altered the basic supply and demand situation and they doubted that any signatories to the Sugar Agreement would decide to defy the quota restrictions simply because the U.S. had not signed.

They admitted that the setting up of a stockpile fund would be delayed but thought the 2.5m tonnes stockpile envisaged under the terms of the agreement would have a significant effect on the market situation.

Yesterday's selling was seen as a disappointed reaction. Hopes of the U.S. signing the pact had encouraged the recent price rise and the disappearance of this factor led many traders to sell their holdings.

But the source said Chinese buying had been a more important factor and a major fall was unlikely until delay on ratification by the U.S. This was seen to have ceased.

INDIA'S BUMPER year for foodgrain production has been hailed as a landmark in the country's history, according to Government figures released here.

Record outputs were achieved for sugar, rice, oilseeds, cotton and jute. Although the recent floods are expected to cut production back in 1979-78, the Agriculture Ministry feels the country is "out of the woods" both in foodgrain and other crops.

There was a particularly big rise in sugar cane output, up to a record 181m tonnes compared with 153m tonnes in 1976-77 and an average of 133m tonnes in the period 1971 to 1976.

There is an unusually large surplus available for export. But the world price is not favourable, earnings from exports will not match the level reached two years ago.

The bigger crop of oilseeds is being sold with more satisfaction in the future of groundnut crops in the previous three years led to shortages and high prices of edible oil.

Total oilseeds production in 1977-78 was 9.3m tonnes compared with 8.3m tonnes in the previous year, and an average of 8.5m tonnes over the period 1971-76.

Cotton production in 1977-78 was 7.1m bales (170 kilos each) compared with 6.5m bales in the previous year. The country is now self-sufficient in long-staple cotton and has a surplus of short-staple cotton.

MARK LAME—Market volume was 3,000 tonnes. The market was 3,000 tonnes. The market was 3,000 tonnes.

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EEC beet chief hits out at cutback plea

BY CHRISTOPHER PARKES

BRITISH FOOD manufacturers' appeals for a reduction in the Common Market's sugar beet production have been dismissed out of hand in a vitriolic open letter from M. Henri Cayre, the French leader of the European beet growers' confederation.

And he has accused the Food Manufacturers' Federation and the Cocoa, Chocolate and Confectionery Alliance which issued the call last month of speaking for "multinational firms set up in Great Britain, whose interests are very different from those of the Common Market."

The FMF's notions about the European economy are described as "completely out-dated," its arguments "absurd," its claims "pure fantasy" and its statistical evidence as "neither serious nor honest."

The fearsome M. Cayre represents some 450,000 beet growers in the Common Market, the most of whom form arguably the most influential and certainly the most powerful lobby in the world market.

His main point is that the world surplus of sugar will shortly turn into a shortage, and that EEC exports will become an asset to the EEC rather than a financial burden.

"Just because, for three years, took a swipe at the FMF's man-world production has been higher than consumption, you Gallic venon, he wrote: 'You think that the EEC should reduce its exports to other countries in the world market. This attitude is absurd,' he admonished Mr. you from reading another Cyril Coffin, director-general of language."

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State land policies denounced

BY CHRISTOPHER PARKES

GOVERNMENT intervention in the free market for farm land will lead agriculture into a spiral of restriction, complication and decline, Mr. Roger Paul, president of the Country Landowners' Association, warned in London yesterday.

He denounced the nationalisation of land, dear to the hearts of many in the Labour Party, as totally unnecessary and wholly interfering in one of Britain's most successful industries.

The problems affecting the future of farming had nothing to do with nationalisation, he said, and with any institutions or foreigners buying land, Mr. Paul said.

They had arisen because of changes in the structure of the industry, he said, and because of changes in the structure of the industry, he said.

The problems affecting the future of farming had nothing to do with nationalisation, he said, and with any institutions or foreigners buying land, Mr. Paul said.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

Three months 1978/79: 63.5. 1979/80: 63.5. 1980/81: 63.5. 1981/82: 63.5. 1982/83: 63.5. 1983/84: 63.5. 1984/85: 63.5. 1985/86: 63.5. 1986/87: 63.5. 1987/88: 63.5. 1988/89: 63.5. 1989/90: 63.5. 1990/91: 63.5. 1991/92: 63.5. 1992/93: 63.5. 1993/94: 63.5. 1994/95: 63.5. 1995/96: 63.5. 1996/97: 63.5. 1997/98: 63.5. 1998/99: 63.5. 1999/00: 63.5. 2000/01: 63.5. 2001/02: 63.5. 2002/03: 63.5. 2003/04: 63.5. 2004/05: 63.5. 2005/06: 63.5. 2006/07: 63.5. 2007/08: 63.5. 2008/09: 63.5. 2009/10: 63.5. 2010/11: 63.5. 2011/12: 63.5. 2012/13: 63.5. 2013/14: 63.5. 2014/15: 63.5. 2015/16: 63.5. 2016/17: 63.5. 2017/18: 63.5. 2018/19: 63.5. 2019/20: 63.5. 2020/21: 63.5. 2021/22: 63.5. 2022/23: 63.5. 2023/24: 63.5. 2024/25: 63.5. 2025/26: 63.5. 2026/27: 63.5. 2027/28: 63.5. 2028/29: 63.5. 2029/30: 63.5. 2030/31: 63.5. 2031/32: 63.5. 2032/33: 63.5. 2033/34: 63.5. 2034/35: 63.5. 2035/36: 63.5. 2036/37: 63.5. 2037/38: 63.5. 2038/39: 63.5. 2039/40: 63.5. 2040/41: 63.5. 2041/42: 63.5. 2042/43: 63.5. 2043/44: 63.5. 2044/45: 63.5. 2045/46: 63.5. 2046/47: 63.5. 2047/48: 63.5. 2048/49: 63.5. 2049/50: 63.5. 2050/51: 63.5. 2051/52: 63.5. 2052/53: 63.5. 2053/54: 63.5. 2054/55: 63.5. 2055/56: 63.5. 2056/57: 63.5. 2057/58: 63.5. 2058/59: 63.5. 2059/60: 63.5. 2060/61: 63.5. 2061/62: 63.5. 2062/63: 63.5. 2063/64: 63.5. 2064/65: 63.5. 2065/66: 63.5. 2066/67: 63.5. 2067/68: 63.5. 2068/69: 63.5. 2069/70: 63.5. 2070/71: 63.5. 2071/72: 63.5. 2072/73: 63.5. 2073/74: 63.5. 2074/75: 63.5. 2075/76: 63.5. 2076/77: 63.5. 2077/78: 63.5. 2078/79: 63.5. 2079/80: 63.5. 2080/81: 63.5. 2081/82: 63.5. 2082/83: 63.5. 2083/84: 63.5. 2084/85: 63.5. 2085/86: 63.5. 2086/87: 63.5. 2087/88: 63.5. 2088/89: 63.5. 2089/90: 63.5. 2090/91: 63.5. 2091/92: 63.5. 2092/93: 63.5. 2093/94: 63.5. 2094/95: 63.5. 2095/96: 63.5. 2096/97: 63.5. 2097/98: 63.5. 2098/99: 63.5. 2099/00: 63.5. 2100/01: 63.5. 2101/02: 63.5. 2102/03: 63.5. 2103/04: 63.5. 2104/05: 63.5. 2105/06: 63.5. 2106/07: 63.5. 2107/08: 63.5. 2108/09: 63.5. 2109/10: 63.5. 2110/11: 63.5. 2111/12: 63.5. 2112/13: 63.5. 2113/14: 63.5. 2114/15: 63.5. 2115/16: 63.5. 2116/17: 63.5. 2117/18: 63.5. 2118/19: 63.5. 2119/20: 63.5. 2120/21: 63.5. 2121/22: 63.5. 2122/23: 63.5. 2123/24: 63.5. 2124/25: 63.5. 2125/26: 63.5. 2126/27: 63.5. 2127/28: 63.5. 2128/29: 63.5. 2129/30: 63.5. 2130/31: 63.5. 2131/32: 63.5. 2132/33: 63.5. 2133/34: 63.5. 2134/35: 63.5. 2135/36: 63.5.

STOCK EXCHANGE REPORT

Downturn continues on suggestions of price curbs
Equity index above lowest at 494.6—Gilts fall again

Account Dealing Dates

*First Declared Last Account
Dealings Dates
Oct. 15 Oct. 16 Oct. 17
Oct. 18 Oct. 19 Oct. 20
Oct. 21 Oct. 22 Oct. 23

Weekend suggestions that price
curbs along with strict controls
on the part of the Government
of companies which break the
five per cent pay limit could form
part of a compromise between
the Government and unions on
pay had a predictably dulling
effect on stock markets yesterday.

The thought of re-imposition
of price controls quickly re-
sulted in a sharp fall in the
FT 100. The index closed at
494.6, down 1.2 from 495.8
on Monday. The 100 index
was down 1.2 from 495.8 on
Monday. The 100 index was
down 1.2 from 495.8 on Monday.

At one stage, the industrial
sector seemed especially drab,
but with dealers reporting little
genuine selling and only the
opening of new bear positions
in the short-term trading
account, the market settled
later. After the official close
of business, leading stocks
settled significantly as some of
the selling taken out earlier
was closed.

This was well illustrated in
the final calculation of the FT
Industrial Ordinary share index
which registered a fall of only 1.6
at 494.6, after having been 5.2 down
at the 2 pm count. Falls in all
FT-quoted industries, however,
unnumbered rises by four-to-one.

Stores and other consumer-
oriented sectors were not
troubled by the slowdown in
September retail sales, the former
being content to await today's
interim figures from Marks and
Spencer. The latter, however,
in general, much fewer than
recently but occasional items
aroused interest.

Still lacking in confidence and
worried by interest rate prob-
lems, Gilts edged lower in trad-
ing. The 10-year gilt fell 1.2
to 10.75, while the 15-year
gilt fell 1.2 to 10.75. The 10-
year gilt fell 1.2 to 10.75.

Early selling of the investment
currency premium saw it dip
sharply to 78.5 per cent, but
institutional support at the lower
levels helped a rally to 79.5
per cent by the close. Yesterday's
close was 79.5 (78.25).

The generally dull conditions in
equity markets tended to restrain
activity in Traded Options and

Banks quietly dull

Little interest was shown in
the major clearing banks on the
first day of the Elsewiler Ac-
countant's clearing. The clearing
quotations drifted gently lower.
Discounts cleared easier for choice
with 3 months' bills at 10.75.
The clearing closed at 10.75.
The clearing closed at 10.75.

Insurance was also subdued.
Further small selling and lack of
support prompted a fall of 10 to
230p in C. E. Heath, while Ham-
bleton fell 10 to 230p.

Breweries cleared slightly above
the previous day's closing. The
clearing closed at 10.75. The
clearing closed at 10.75.

Building descriptions, marked
down at the outset, held steady at
the lower levels in the absence
of sellers. Bigger-priced issues
such as Richard Castella, 234p,
and Taylor Woodrow, 400p, both
settled significantly as some of
the selling taken out earlier
was closed.

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equity markets tended to restrain
activity in Traded Options and

Marka and Spencer became fairly

active in front of today's interim
results but closed without altera-
tion at 52p. British Home, also
active initially but finished un-
changed at 52p. The clearing
closed at 10.75. The clearing
closed at 10.75.

Small selling in an unwilling
market left Electricals with a
string of small losses. The
clearing closed at 10.75. The
clearing closed at 10.75.

Technical clearing, however, was
more active. The clearing closed
at 10.75. The clearing closed at
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The generally dull conditions in
equity markets tended to restrain
activity in Traded Options and

Miscellaneous industrial leaders

rallied in the late dealings to
close a few pence above their
lowest levels. The clearing
closed at 10.75. The clearing
closed at 10.75.

Technical clearing, however, was
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year gilt fell 1.2 to 10.75.

The generally dull conditions in
equity markets tended to restrain
activity in Traded Options and

Investment Trusts had an easier

time in trading. The clearing
closed at 10.75. The clearing
closed at 10.75.

Technical clearing, however, was
more active. The clearing closed
at 10.75. The clearing closed at
10.75.

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The generally dull conditions in
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activity in Traded Options and

ing 6 cheaper at 96p and 113p

respectively. The clearing
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at 10.75. The clearing closed at
10.75.

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activity in Traded Options and

FINANCIAL TIMES STOCK INDICES

	Oct. 16	Oct. 15	Oct. 12	Oct. 11	Oct. 10	Oct. 9	A year ago
Government Sec.	68.79	69.06	69.53	69.53	69.87	69.87	76.42
Fixed Interest	70.80	71.42	71.71	71.74	71.87	71.85	78.74
Industrial	494.6	496.2	505.8	504.3	504.3	510.2	499.9
Gold Mines	153.7	160.4	167.1	168.4	168.5	167.1	174.7
Uncl. Div. Yield.	5.44	5.42	5.33	5.35	5.22	5.28	5.4
Earnings, Weighted	15.08	15.04	14.79	14.83	14.69	14.60	16.0
P/E Ratio (mkt.)	8.78	8.80	8.95	8.95	9.01	9.03	8.6
Dealings (mkt.)	4,132	4,940	4,353	4,899	4,838	5,534	5,065
Equity turnover 2m	—	90.71	79.96	85.1	77.24	73.67	85.1
Equity turnover ratio	—	14.74	14.33	15.12	15.00	13.87	15.91

OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible][illegible][illegible][illegible]

10- 11- 12- 13- 14- 15- 16- 17- 18- 19- 20- 21- 22- 23- 24- 25- 26- 27- 28- 29- 30- 31- 32- 33- 34- 35- 36- 37- 38- 39- 40- 41- 42- 43- 44- 45- 46- 47- 48- 49- 50- 51- 52- 53- 54- 55- 56- 57- 58- 59- 60- 61- 62- 63- 64- 65- 66- 67- 68- 69- 70- 71- 72- 73- 74- 75- 76- 77- 78- 79- 80- 81- 82- 83- 84- 85- 86- 87- 88- 89- 90- 91- 92- 93- 94- 95- 96- 97- 98- 99- 100- 101- 102- 103- 104- 105- 106- 107- 108- 109- 110- 111- 112- 113- 114- 115- 116- 117- 118- 119- 120- 121- 122- 123- 124- 125- 126- 127- 128- 129- 130- 131- 132- 133- 134- 135- 136- 137- 138- 139- 140- 141- 142- 143- 144- 145- 146- 147- 148- 149- 150- 151- 152- 153- 154- 155- 156- 157- 158- 159- 160- 161- 162- 163- 164- 165- 166- 167- 168- 169- 170- 171- 172- 173- 174- 175- 176- 177- 178- 179- 180- 181- 182- 183- 184- 185- 186- 187- 188- 189- 190- 191- 192- 193- 194- 195- 196- 197- 198- 199- 200- 201- 202- 203- 204- 205- 206- 207- 208- 209- 210- 211- 212- 213- 214- 215- 216- 217- 218- 219- 220- 221- 222- 223- 224- 225- 226- 227- 228- 229- 230- 231- 232- 233- 234- 235- 236- 237- 238- 239- 240- 241- 242- 243- 244- 245- 246- 247- 248- 249- 250- 251- 252- 253- 254- 255- 256- 257- 258- 259- 260- 261- 262- 263- 264- 265- 266- 267- 268- 269- 270- 271- 272- 273- 274- 275- 276- 277- 278- 279- 280- 281- 282- 283- 284- 285- 286- 287- 288- 289- 290- 291- 292- 293- 294- 295- 296- 297- 298- 299- 300- 301- 302- 303- 304- 305- 306- 307- 308- 309- 310- 311- 312- 313- 314- 315- 316- 317- 318- 319- 320- 321- 322- 323- 324- 325- 326- 327- 328- 329- 330- 331- 332- 333- 334- 335- 336- 337- 338- 339- 340- 341- 342- 343- 344- 345- 346- 347- 348- 349- 350- 351- 352- 353- 354- 355- 356- 357- 358- 359- 360- 361- 362- 363- 364- 365- 366- 367- 368- 369- 370- 371- 372- 373- 374- 375- 376- 377- 378- 379- 380- 381- 382- 383- 384- 385- 386- 387- 388- 389- 390- 391- 392- 393- 394- 395- 396- 397- 398- 399- 400- 401- 402- 403- 404- 405- 406- 407- 408- 409- 410- 411- 412- 413- 414- 415- 416- 417- 418- 419- 420- 421- 422- 423- 424- 425-<

FINANCE: LAND—Continued[illegible]

Tuesday October 17 1978

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FINAL TERMS COMPLICATED BY EXCHANGE CONTROLS

Tate to sell S. Africa stake

BY ANDREW TAYLOR AND RICHARD ROLFE

TATE AND LYLE is negotiating the sale of its remaining major South African investment—the 51.6 per cent stake in African Products, which it inherited with the takeover of Manbre and Garton, in 1976.

The British sugar group is proposing to sell its holding to Anglo American Industrial Corporation (AMIC), which itself holds a 25.4 per cent stake in African Products, the starch and glucose group.

Final terms have still to be agreed. Negotiations have been complicated by South African exchange controls which restrict the amount of cash an overseas company can take out

of the country when it makes a disposal. The controls are exercised through the securities and market. Tate said last night that it was negotiating on two fronts—with the South African Reserve Bank and with AMIC to get the best terms possible for its shareholders.

An indication of a probable price came with a statement from the African Products board which said that minority shareholders were likely to be made an offer for their stock at around the current market price of R9.80 a share.

At this price, the group is capitalised at £25m (£21m). This value Tate's share at

£10.8m. The British group has made it clear that it is only interested in the sterling sum it will raise from the deal. A spokesman said last night that the standard discount rate on the securities and market was around 35 per cent.

If the sale goes ahead, Tate's sole remaining South African investment will be its wholly-owned Pure Cane Molasses Company, employing 37 people. Last year, Tate sold its 49 per cent interest in Illovo Sugar for R8m (£5.3m).

The Illovo deal was also affected by exchange controls. C. G. Smith Sugar paid 30p cent a share for the stake but

of this, Tate was only allowed to take 17½ cents—around 35 per cent—out of the country at the normal exchange rate.

Tate denied yesterday that its proposed sale of another large slice of its South African business was for political reasons.

African Products which employs 350 workers, of whom 530 are black with a further 64 classified as coloured, made pre-tax profits of £5.1m (£2.9m) last year. In the first half of the current year, the group's profits rose from R1.9m (£1.1m) to R2.2m (£1.3m).

South African disposals, Page 34

Perry to change car lease terms

By Andrew Taylor

HAROLD PERRY MOTORS has been given a clean bill of health by the Inland Revenue over a disputed tax charge against its car leasing business during 1977, the company said yesterday.

However, Mr. Forbes Macgregor, chairman and managing director of the group, says that Perry would be modifying certain aspects of its leasing terms.

The group's previous practice of selling cars—once the leasing agreement had run out—back to the businesses which had leased them, would be halted. These sales were carried through a subsidiary or associate of the group.

Perry said last night that the practice had been necessary ahead of changes in leasing legislation in June last year when it was illegal to give rebates on the sale of the car back to the leasing customer.

The scheme was designed, says the group, to provide some benefits to the lessee from the then prevailing high rates of inflation which had sent second hand car values soaring. Under the current proposals, the group will pay rebates to lessees.

Perry denies that there is any connection between the Inland Revenue's earlier dispute on the group's tax charge and the subsequent plans to change leasing terms.

Mr. Macgregor said that the Revenue had questioned whether cars for leasing in 1977 should have been classed as capital assets—for which the group would be eligible for tax relief—or as trading stock for ultimate sale, for which there is no relief.

He said that the Revenue after closely examining the terms of Perry's leasing agreements were satisfied that the cars had been correctly classified and that the group's tax charge of £212,000—as stated in the last annual accounts—was correct.

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Steel imports may rise with price policy change

BY JOHN LLOYD

A FURTHER RISE in steel imports, already at record levels, is expected from a decision by steel stockholders to adopt a policy of recommended prices.

The decision, by the National Association of Steel Stockholders, officially ends that association's attempts to impose a minimum based on the British Steel Corporation's list prices.

This resulted in stockholders buying large quantities of cheaper BSC and third country steel, which was up to 10 per cent cheaper than BSC products, while selling them at BSC list prices.

In July import deposits were imposed on producers suspected of undercutting the guidance prices set by the Davignon Plan, an EEC programme for dealing with the steel crisis. This temporarily stemmed the inflow of some cheaper foreign steels.

There remains a significant

price differential between BSC and Continental prices, especially in heavy steel sections, and the association's decision will have the effect of allowing the price of foreign steel to the consumer to come down, thus increasing demand for it.

The association appears to have taken the decision in part because of pressure from the consumers, who wanted the benefits of the price differential passed on and of the fact that the attempt to base prices on UK rather than European price levels contravened the Treaty of Paris provisions.

Records touched

In the first half of this year imports of steel climbed to levels rivaling the 1974 records, around 350,000 tonnes a quarter, up from about 100,000 tonnes in last year's first quarter.

The British Steel Corporation is already concerned about the level of steel imports. Last week

Mr. William Richardson, BSC director of prices and contracts, said that some prices charged by Continental mills and third-country producers "are too far below the minimum and guidance prices for Europe."

"We would like to see the gap narrowed. We would also like to see greater control by producers over the activities of merchants," BSC is concerned that EEC steel producers, especially German mills, ignore the guidance prices, an integral part of the Davignon Plan.

However, the corporation appears satisfied that the Davignon Plan is working generally in its favour.

Mr. Richardson said that the plan had allowed BSC to put through price increases that would not otherwise have been possible, and that if there had been no Davignon Plan, the corporation's loss last year would probably have been 50 per cent higher.

Cut in mortgage subsidy likely to affect 800,000 buyers

BY EAMONN FINGLETON

NEARLY 800,000 home buyers are expected to face higher mortgage costs when plans to cut the Government subsidy for option mortgages are carried out.

Participants in the option scheme no longer will be subsidised interest rate, instead of tax relief on interest payments. The scheme is designed for low income families who qualify for little or no tax relief.

The subsidy is geared to be equivalent to tax relief at the lowest rate and an adjustment now being made to reflect the introduction of the new 25 per cent tax band in the April Budget.

The subsidy currently stands at the equivalent of 34 per cent tax relief, which was the lowest rate of tax before the Budget.

The Department of the Environment has not yet decided on the new level of the subsidy but it is likely to be between 25 per cent and 33 per cent, the main rate of tax most people pay.

In readiness for the cut, the Department has already outlined proposals for easier switching

between option mortgages and ordinary ones.

In a discussion paper which has been circulated to the Building Societies Association and other interested parties the Department points out that easier switching will be essential if the subsidy is cut.

This is because many participants in the option scheme have incomes sufficiently high to entitle them to tax relief of 33 per cent on all or a large part of their interest if they had an ordinary mortgage.

At present an option borrower cannot normally switch in the first four years of his loan—but the Department now wants the waiting period cut to one year.

The changes are expected to be incorporated in the comprehensive housing bill the Government is planning for the next session of Parliament.

The Department calculates that if the subsidy is brought fully into line with the 25 per cent tax rate about 400,000 option borrowers would be better off by switching.

A further 400,000 borrowers with ordinary mortgages are currently worse off than they would be with the option mortgage scheme, because they are entitled to tax relief of only 25 per cent on the 25 per cent rate.

But in most cases the anomaly is expected to disappear once the new lower option subsidy comes in.

Depending on the size of the new subsidy it may still pay some tax relief borrowers to switch to the option system. To accommodate them, the rules for switching from ordinary mortgages to options are also being relaxed.

The new Housing Bill is also expected to contain provisions to tighten the rules stopping people resident outside the UK from benefiting from the option subsidy.

Under the new arrangements, a borrower will normally be allowed only one switch unless he can demonstrate an unforeseen and significant change for the worse in his financial position.

Home loans limit Page 8

Namibia talks open in Pretoria

BY QUENTIN PEEL

THE CRITICAL summit meeting between South Africa and the five western member States of the UN Security Council to resolve the deadlock over the future of Namibia (South-West Africa), opened here today with both sides still firmly and oppositely viewpoints.

Officials kept a strict silence on the content of the first round of talks, which opened after news of 17 black civilian deaths in a landmine explosion on the northern Namibian border, where guerrillas are fighting South African troops.

Although the atmosphere was said to be conducive to compromise, the talks were not believed to have covered the main problem areas.

These include South Africa's determination to press ahead with elections in December without UN supervision.

This issue may be reached tonight, when the Western Ministers have dinner with Mr. P. W. Botha, the South African Prime Minister, and Mr. R. F. (Pik) Botha while their advisers meet elsewhere.

While South Africa was expecting a full frontal assault by the Western Ministers, Mr. Cyrus Vance, the U.S. Secretary of State, the Foreign Ministers of Britain, Canada and West Germany, and the French Deputy Foreign Minister, the Western strategy appears instead to be concentrating on those issues where compromise may be relatively simple before tackling the most difficult problems.

Thus the first morning session at the Union Buildings in the State capital was attended by Gen. Magnus Malan, Chief of the South African Defence Force.

PRETORIA, Oct. 16. The Finance Ministers' failure to find any firm ground for compromise on these central and technically complex issues must pose questions about whether the Nine will be able to reach agreement in time to put the EMS into operation on January 1, as planned.

Today's outcome represents a triumph of sorts for the UK which can now claim that most of its EEC partners are closer to its views on how the system should work than to those of the German Government.

Only a month ago, at the last Finance Ministers' meeting, Britain was isolated as the only member of the Nine disinclined to accept a compromise exchange rate formula previously agreed in principle by Herr Schmidt and President Giscard d'Estaing of France.

Under the compromise, currencies would be defined in terms of the planned European currency unit, a weighted basket of all EEC currencies, but their maximum limits of fluctuation would be determined by a parity grid in which currencies would be directly linked to one another.

The differences now centre on what should happen when currencies deviate from their central rates in the basket without necessarily reaching their outer limits in the parity grid. Germany, Denmark and The Netherlands insist that this should merely trigger consultations between EEC monetary authorities, without any obligation to intervene or to take corrective measures.

But Britain, backed by Ireland and Italy, has insisted that intervention must occur as the basket margins are reached.

Retail spending drops by 1%

By Peter Riddell, Economics Correspondent

SPENDING in shops in September fell back from the buoyant level of the previous two months, but was still much higher than earlier this year.

The Department of Trade announced yesterday that the index of the volume of retail sales was provisionally estimated at 110.5 last month (1971=100, seasonally adjusted).

This represents a decline of 1 per cent on the average level of the previous two months when the payment of backdated income tax reductions appears to have boosted sales.

The volume of spending last month was still more than 3 per cent higher than the average for the first half of this year, and 8½ per cent more than in September, 1977.

The decline in spending in September compared with the previous two months was expected by the trade in view of the past pattern whenever payment of tax rebates had led to a temporary boost to sales—noticeably of durable goods—followed by a lull.

However, the retail trade expects sales to pick up again in November and December, with a good Christmas, after the increase in child and other social security benefits next month and the payment of a further stage of backdated income tax cuts.

The Retail Consortium expects the volume of sales in real terms this year to be about 5

RETAIL SALES		Value—percentage change compared with a year earlier (not seasonally adjusted)
1977	1978	
1st	103.3	+14
2nd	102.5	+13
3rd	104.3	+15
4th	104.4	+13
1st	104.3	+13
2nd	108.0	+15
3rd	111.2*	+14*
June	108.7	+14
July	114.4	+15
Aug.	111.8	+15
Sept.	110.5*	+14*

* Provisional estimate

Source: Department of Trade

per cent higher than in 1977, approaching but probably not exceeding the record level of 1973.

The rise in sales has been the direct result of a rapid increase in living standards of 7½ per cent in the year to the second quarter. This is officially expected to continue for the rest of 1978.

Indeed, spending should continue to increase with the prospect of a further, though smaller, rise in real incomes in the first half of next year. There is also considerable support for further buoyant retail sales in the high level of the personal savings ratio as households have so far saved part of their tax cuts.

The recent buoyancy of retail sales—equivalent to roughly two-fifths of all consumer spending—is shown by a rise in volume of about 3 per cent between the second and third quarters.

Trade in the first nine months of 1978 was just under 5 per cent higher than in the same period last year, and 4.5 per cent above the average level throughout last year.

Continued from Page 1

Germany

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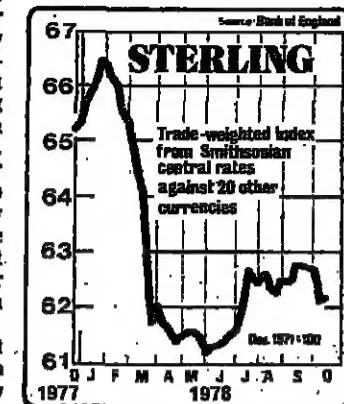
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But Britain, backed by Ireland and Italy, has insisted that intervention must occur as the basket margins are reached.

THE LEX COLUMN

Sterling squeeze for companies

Index fell 1.6 to 494.6



A late setback for the dollar left sterling marginally higher yesterday on the basis of the trade-weighted index. On a day when the snake currencies were being realigned and the dollar was reacting to the passing by Congress of the U.S. Government's tax and energy bills, it was again apparent that sterling is standing on the sidelines in the present currency turmoil.

But as the time approaches for a decision on whether or not to enter the European Monetary System, there is bound to be increasing speculation about whether sterling should enter the supersnake at this or at a lower level.

Politically, there will be great reluctance to accept devaluation within probably only a few months of an election which will be very largely about the Government's ability to control inflation.

But this promises a nasty squeeze on the profits of companies, which are already being held down by the force of overseas competition.

Analysts in the City have been puzzling over the severity of the second quarter real profits setback revealed by the national income statistics, and there is bound to be some sharp writing down of 1979 forecasts if the Government uses the sterling exchange rate to stiffen the resolve of companies in pay negotiations.

Suggestions of renewed price controls can only add to the uncertainties—even though they would probably be designed more for the sake of appearances than for real impact.

There was a time when any established Wall Street brokerage house would have looked with horror at a suggestion that it should dirty its hands in the commodities markets.

But the times have changed dramatically in the financial markets and while the cost of a seat on the New York Stock Exchange has fallen from a peak of \$515,000 10 years ago to \$75,000 today, the cost of a seat in a Commodity Exchange has rocketed.

Already most of the big brokerage houses are members of both the major commodities and stock exchanges and the stock exchanges themselves are finally responding to the pressures. Last month the American Stock Exchange opened its own commodities exchange to win over from Chicago some of the lucrative financial futures trading and now news has leaked out that the mighty New York

Dawson's William Baird has a touch of everything. There is a vasty higher dividend, the promise of a big asset revaluation and a profits forecast, and some naughty comments about the bidder—all stirred up with a hint of Scottish nationalism and a commitment to liberty and equality for the non-voting "A."

All traditional stuff. The main point for shareholders, however, is that on present evidence the main gainer from a successful bid would be Baird. In exchange for £12.2m cash and an increase in its equity of around three-fifths, it would increase its earnings per share by

from what Perry was saying yesterday it might appear that the company has been most unfairly treated in this case. But it should be remembered that it was Perry's decision to publicise the matter in the first place. It seems doubtful whether the company's scheme for passing old cars on to other companies in the lessee group was entirely consistent with what the tax rules demand. So, on balance, the points should probably go to Somerset House.

Mr. Macgregor said that the Revenue had questioned whether cars for leasing in 1977 should have been classed as capital assets—for which the group would be eligible for tax relief—or as trading stock for ultimate sale, for which there is no relief.

He said that the Revenue after closely examining the terms of Perry's leasing agreements were satisfied that the cars had been correctly classified and that the group's tax charge of £212,000—as stated in the last annual accounts—was correct.

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Weather

UK TODAY
FOG in north. Showers elsewhere.

London, S.E. and E. England. Showers. Max. 15C (59F).